Daily Report

Latin America

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Latin America

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Latin American Ministers End Honduras Meeting

Press Communique Issued

PA3110201890 Tegucigalpa LA TRIBUNA in Spanish 31 Oct 90 p 9

["Press communique" issued by the Executive Commission of the Central American Foreign Ministers at the end of its meeting in Tegucigalpa on 30 October]

[Text] 1. The Executive Commission of the Central American Foreign Ministers, within the framework of the Esquipulas Agreement, held its 10th meeting in Tegucigalpa, Honduras, on 29 - 30 October 1990.

2. The Executive Commission analyzed a broad spectrum of political, economic, and security topics stemming from the decisions reached by the presidential summits in Tela, Montelimar, and Antigua, among others, as well as from regional and international initiatives designed to contribute to the process of political normalization and economic development in Central America.

3. It evaluated the Antigua Declaration's commitments to institutions and adopted measures to obtain better coordination between the established institutions. It also recommended to the Central American presidents that the functions of other regional political forums and institutions be defined at the next summit meeting to prevent the duplication of the committee's efforts and actions.

4. They decided to establish a verification subcommission to follow up the implementation of agreements on democratization and national reconciliation.

5. The commission heard a report on the armed conflict in El Salvador, agreeing to continue supporting the dialogue process sponsored by the UN secretary general and reiterating the appeal for a halt to the armed attacks and actions that affect the civilian population. The Executive Commission also took note of information provided by Honduras and Nicaragua regarding the dispute between both countries in the International Court of Justice.

6. Executive Commission members exchanged views on the possibilities of a joint Central American mission abroad. In this regard, they decided that technical proposals will be drawn up to be discussed during the next presidential summit. They agreed on the importance of coordinating policies to improve the region's negotiating ability and to achieve greater representation in international organizations.

7. The Executive Commission examined the invitation issued by the Rio Group's Political Consultation and Concerted Action Body, which, during its 11-12 October meeting in Caracas, decided to expand the group's representativeness and invited the Central American countries to participate in its work.

8. Executive Commission expressed interest in the Canadian Government's offer to sponsor a mechanism of support for the provisions established in the Esquipulas Agreement. In this regard, it agreed to respond affirmatively and jointly to the Canadian Government as soon as possible, to express support for this initiative which will help institutionalize the regional peace process.

9. The Executive Commission heard reports of the Security Commission, expressed its satisfaction over the commission's progress, and approved the Security Commission's proposals and suggestions expressing confidence that more progress will be achieved during its forthcoming meeting in Tegucigalpa on 14-15 November.

10. In the economic area, the Executive Commission received information and analyzed the progress in the implementation of the Economic Action Plan for Central America (PAECA) by the Central American economy ministers. The commission recommended that the country hosting the next presidential summit organize a meeting of foreign ministers and ministers in charge of regional integration and development that could prepare a plan of action for 1991 to be presented to the presidents. 11. The Executive Commission learned about the situation of the Central American Bank of Economic Integration [BCIE] through the report of BCIE President Rolando Ramirez. Mr. Charles Greenwood, representative of the IDB [Inter-American Development Bank] in Honduras, also delivered a speech. The Central American foreign ministers expressed their concern over the BCIE's financial situation and recommended that the presidential summit adopt measures to establish guidelines that will guarantee its existence and action as a regional financial institution. Such measures should be particularly based on the incorporation of partners from outside the region and a credit readjustment plan.

12. The Executive Commission also examined President Bush's "Initiative for the Americas," with the participation of Mrs. Figueres de Jimenez, representative of the IDB president. It also analyzed the new forms of hemispheric cooperation that might be adopted in the OAS.

13. The commission decided to recommend that the presidential summit establish the terms for the integration of the "Coordinating Commission for the Development of Central America," included in the Sandford Report.

14. It agreed to propose that the next meeting of Central American presidents should focus on the issue of the environment and development in the region.

15. The Executive Commission learned of the Nicaraguan initiative to declare Central America a zone of peace, democracy, and cooperation, and agreed to analyze it in the next meeting in Puntarenas, Costa Rica.

16. It also agreed to analyze the topic of fuel situation in the region, and the development of geothermic power in Nicaragua in particular.

17. The foreign ministers agreed to meet in Puntarenas to prepare a provisional agenda to be examined in the summit meeting of Central American presidents.

Tegucigalpa, 30 October 1990.

News Conference Held in Tegucigalpa

PA3110140290 Tegucigalpa Domestic Service in Spanish 2230 GMT 30 Oct 90

[News conference by Foreign Ministers Mario Carias Zapata of Honduras, Jose Manuel Pacas Castro of El Salvador, Bernd Niehaus of Costa Rica, Enrique Dreyfus of Nicaragua, and Ariel Rivera Irias of Guatemala with unidentified reporters at the Central Bank Social Club in Tegucigalpa—live]

[Text] [Carias] Good afternoon journalists. We are going to report on the results of our discussions. Later on, the foreign ministers of El Salvador, Costa Rica, and Nicaragua must leave for the airport to catch flights to their respective countries. Consequently, the Guatemalan foreign minister and yours truly, the host, will answer some questions about the meeting.

I first want to express Honduras' great satisfaction to have had the foreign ministers of El Salvador, Guatemala, Nicaragua, and Costa Rica with us these past two days. It has been hard work. We covered a very broad agenda that included political, economic, and security matters.

I think that the first major area we reviewed successfully was institutional matters. We agreed that the presidential summit in Puntarenas should define mechanisms whereby we can act in a coordinated fashion so that the various decisions approved at the highest level will be turned into specific actions and programs for 1991.

It was decided to appoint a subcommission today. This subcommission will be tasked with coordinating agreements on democratization and national reconciliation that were already made during previous presidential summits.

We expressed support for the dialogue process in El Salvador that is sponsored by the UN Secretary General, and we reiterated our call for an end to attacks on and armed actions against the civilian population. It seems that there is great interest—we are very interested—in peace in El Salvador. No efforts should be spared to attain peace as soon as possible.

We, the members of the Executive Commission, discussed different ways in which Central America should be represented abroad. Several possibilities were considered: Whether they are to be applied in new countries or in countries where a Central American country already has a representation. In such cases, a given country would represent the other four countries, or missions will be created to include officials of the five countries. This will be especially effective in the trade area because it would present a complete picture of the entire Central American region.

The Executive Commission also discussed an offer made by the Canadian Government to support regional integration mechanisms and the mechanisms that were created in the Esquipulas summit. We will give a positive response to this Canadian offering.

We also must bear in mind that there are other friendly countries and international organizations that have offered their full support for the Central American integration and pacification process. I think that we will act accordingly, maintaining close ties with countries such as the members of the Europen Community, Japan, and the Latin American nations.

Regarding the economic issues, we received a complete report on the activities that are under way to implement the plan for the economic reactivation of Central America, which is the main responsibility of the economy ministers. Thus, the foreign and economic ministers will meet right before the presidential summit to explain the regional situation to the presidents and present them with an analysis of a Central American integration program for 1991.

We also learned about the grave financial situation of the Central American Bank from the lecture by Mr. Ramirez, the bank's president. Within this context, we counted on the presence of two representatives of the Inter-American Development Bank, Mr. Greenwood and Mrs. Figueres de Jimenez. They also used this opportunity to exchange views and suggestions with us on the Bush initiative and the creation of a commerce area, in which debt reconversion can take place and new private investments can be obtained.

In addition, we discussed environmental issues and concluded the meeting this afternoon with a study of various mechanisms that will permit a greater degree of advice and consultation for commissions of the business and other influential sectors. I think this basically covers this Tegucigalpa meeting.

I would like to ask Mr. Pacas if he wants to add something before leaving.

[Pacas] Thank you, Mr. Foreign Minister. I would like to take this opportunity to publicly express my appreciation—I think I am also speaking on behalf of the other Central American ministers—to the Honduran Government and people, especially Foreign Minister Carias and the officials of the Honduran Foreign Ministry, for their hospitality. Foreign Minister Carias directed the sessions very well and, thanks to his expertise, we were able to cover a very full agenda in record time and in a satisfactory fashion. It was an agenda that covered very interesting issues and prompted extremely important discussions. We are pleased with this meeting of the Executive Commission of the Esquipulas Agreement that was held in Tegucigalpa over these past two days. We wanted to

publicly thank the Honduran Government and people, especially Foreign Minister Carias and the Honduran Foreign Ministry officials. Thank you.

[Carias] The Guatemalan foreign minister perhaps wants to make a comment.

[Moderator] Three of the foreign ministers are leaving right now. The Guatemalan foreign minister will speak now.

[Rivera] Mr. Foreign Minister, I think that what you said is an excellent summary of what we did in these past two days. In addition, our Salvadoran colleague expressed the feelings and appreciation we all share. I believe that the predictions that it was going to be a conflicting agenda were proven wrong. All the topics were approved by consensus, as is usual in this Executive Commission. We approved the political and economic topics by consensus. This shows that the preparation of the agenda for the December summit in Costa Rica will be jointly coordinated with the economy ministers.

Foreign Minister Carias' professionalism and ability has allowed us to reach this goal. The Executive Commission had not met for a long time, and I feel that we made up for that. We are now in a position to prepare a successful summit that will be another milestone in this peace process. It is a peace process that has now been expanded to include an economic challenge. Thank you.

[Carias] Foreign Minister Pacas has left. I thank him for his kind words about me. We will now answer some questions from the media representatives.

[Moderator] Reporter Rolando Fernandez of Voz de Honduras has requested permission to ask a question.

[Fernandez] Unfortunately, the Costa Rican and Nicaraguan foreign ministers are no longer here. We wanted to know about their opinion on situations having to do with the compliance of presidential agreements. The specific topic I wanted to ask about is this: Former Nicaraguan President Daniel Ortega vowed to withdraw the suit against Honduras when the Nicaraguan resistance members returned to Nicaragua. This was to be done just as Nicaragua withdrew a similar suit against Costa Rica. This situation is worrisome. We want to know what response you received from the Nicaraguan foreign minister on this matter.

My other question is: The Central American countries, also abiding by agreements, through their legislatures, approved the protocol creating the Central American Parliament; however, Costa Rica continues to abstain. There is even talk about a group or a city in Costa Rica that apparently disagrees with being a part of Central America. Today we learned about the status of the Central American clearing house. If the Central American Parliament does not become a reality soon, the area's unity will be affected, and so will the support of some countries, such as the EC members. I would like you to tell me what they said about this.

[Carias] Regarding the suit that Nicaragua filed against Honduras in 1986, the presidents at Tela, San Isidro, and Antigua pledged to seek an out-of-court settlement in an effort to consolidate such a waiver. It was a topic on the agenda in the Executive Commission. Nicaragua told us that it appointed two delegates—Fernando Zelaya and Mauricio Herdocia—to the commission that will discuss this problem. They will meet in the second half of November with the Honduran delegates, who are Guillermo Perez Arias, a lawyer and Foreign Ministry adviser, and Julio Rendon. Such is the status of this very important issue. We would have to wait for this meeting, however, to learn the details of the positions of the two countries, particularly that of Nicaragua.

Regarding the parliament, the topic was not on the agenda for this meeting. The Costa Rican Government has recently reported, however, that it wants to present this treaty for ratification to the responsible and competent authorities—in this case the Costa Rican Assembly,

I believe we are aware of the importance of Central America having parliamentary representations from the five countries .... [break in reception] We hope that the doubts or the existing difficulties may be overcome in Costa Rica and that we may ... [break in reception] with five members at a suitable time.

On the other hand, regarding the ... [break in reception], the Costa Rican foreign minister told us that it would depend on a decision to be made by the Central Bank of Costa Rica. This case has still not been examined by all the government branches of his country, and he hopes to be able to give a more complete report on his country's position in that regard relatively soon.

I must say that the Honduran Government is very concerned about that issue since we believe that the financing—mainly based on the EEC's contribution for the reactivation of commerce—is a vital instrument. It is an instrument of great importance in strengthening commercial trends and setting new ones in motion in Central America.

In that regard, we will be expecting more information on that issue from the Costa Rican Government. Thank you very much.

[Unidentified reporter] Good afternoon. You spoke a few minutes ago about the Bush plan. I understand that the joint communique clearly mentions what you have decided in this foreign minister's meeting. You have mentioned the renegotiation of the debt at the Central American level. Could you be a little more specific regarding the decisions made in that sense this afternoon, since this could also be one of the key points at the Punta Arenas summit? Thank you.

[Carias] No, I could not reveal any details because that will be decided by the presidents in Punta Arenas.

We tried to analyze certain points regarding the Initiative for the Americas. One of them, which was proposed by Honduras, is that it should be discussed at the OAS summit next year.

On another level, Mrs. Figueres of the IDB [Inter-American Development Bank] explained to us how much financing from the United States, Europe, and Japan could be available for the American countries through the IDB.

The original American plan consists of $100 million from the United States, $100 million from Japan, and $100 million from the EEC, annually for five years, for a general fund of $1.5 billion.

Mrs. Figueres explained to us that, if the initiative is carried out, these funds would mainly be used for certain preinvestment and feasibility studies to identify trade opportunities. She said that it is undeniable that the international private sector would be responsible for trying to take advantage of the creation of that hemispheric free trade zone to generate financial flow for the development of our countries.

It is a matter now of having our economy ministries and competent authorities determine what Central America and each of our countries believe should be contained in the Bush plan, and also to establish that the contents agreed upon be adopted in Puntarenas in December and presented to U.S. organizations as soon as possible. I believe that Foreign Minister Rivera can comment on this topic.

[Rivera] I believe that Foreign Minister Carias Zapata has spoken very clearly. The interesting thing about the Bush initiative is that the weight of each of its three elements or three columns—debt, trade, and investments—must be established. Foreign Minister Carias referred to ways of financing certain traditional government programs, but, additionally, this initiative states that by creating a fund at the IDB there will be greater leeway not only for financing traditional programs for governments but also for productive private sector projects as well.

In addition to this, an initiative of sorts is under way to promote a Central American market of capital that will provide for a larger amount of resources to be placed at the private sector's disposal to promote what could be described as productive investments. One of the keys to economic growth and future development is investment.

The second point is the debt. The basic position of the Bush initiative is that as long as each of the countries makes certain arrangements with the IMF and the World Bank, and concurrently establishes a political-economic position, it will be possible for them to convert their debts into environmental projects or significantly reduce their official debt with the U.S. Government.

The third key point in the Bush initiative is commerce. To this effect, the foreign ministers decided to adopt a position that is in keeping with the process of promoting joint exports, and to coordinate the positions that will be adopted during this negotiation. It has also been suggested that the five countries should implement a joint initiative to avoid unilateral positions that may cause friction among the Central American countries.

Some countries have already taken the first steps toward establishing a free trade agreement or a standard agreement. This does not mean to say that significant progress will be made upon negotiating commercial ties with the United States that could fall within the framework of GATT. The Executive Commission also discussed the need for further progress in studying the initiative and in establishing the U.S. Government's position, because the Treasury and Commerce Departments, the president's trade representative, and also the State Department are involved in the Bush initiative. I believe that the presidents will have many elements of judgment at their disposal, and that they will be able to reach a decision concerning President Bush's Initiative.

I would like to point out that during their visit to New York, the presidents had already reacted positively to the Initiative of the Americas by sending a signed message [words indistinct] this new attitude and broad-mindedness on the part of the United States concerning Latin America in general, and Central America in particular, especially if we think about the C-24 [not further identified] initiative.

[Moderator] Leonela Madrid of [word indistinct] television has a question.

[Madrid] You announced yesterday that one of the leading topics would be the armed conflict in El Salvador. What agreement did you reach?

[Carias] Yes, concerning the Salvadoran conflict. As I told you earlier, we are basically supporting the UN-sponsored negotiations that will resume on 4 November in Mexico. I believe, and it is in the spirit of the Esquipulas process, that El Salvador's pacification must be accomplished, and that all of the forces which have been acting as unconventional forces must be incorporated into the country's democratic process.

We analyzed a few specific instances in which the UN Observer Group in Central America could be used at a later date, if a cease-fire is agreed upon in El Salvador. This depends, however, on whether or not there is sufficient progress in the dialogue between the FMLN [Farabundo Marti National Liberation Front] guerrillas and President Cristiani's government. We have called for an effort to prevent an intensification of violence, abuses, and the use of the Armed Forces in armed attacks, especially those that affect the civilian population.

[Station announcer] Rosa Morazan of LA PRENSA.

[Morazan, in progress] ...an agreement on the guidelines to be used in the control and downsizing of the Central American armies?

[Carias] No. No guidelines have been adopted. They will be studied at the next security commission meeting in Tegucigalpa on 14 and 15 November. The security commission is to receive and exchange information and inventories, and later, regarding the Esquipulas summit, make recommendations to the Executive Commission for the presidential meeting. There are many factors in the public knowledge that are being studied. The program to downsize armament and armies is subject to the progress made in the area's classification, particularly regarding the armed conflict in El Salvador. In other words, once we can attain a cease-fire and the beginning of a national reconciliation between the Salvadoran Government and the FMLN, it is probable—and the Salvadoran Government said so—that we can introduce with greater clarity of purpose a scheme for the restructuring and reorganization of the Armed Forces—to seek a military and security balance in the area.

[Moderator] [Words indistinct] of TIEMPO.

[Reporter] The joint statement, a summary of which has just been made by Honduran Foreign Minister Mario Carias Zapata, mentioned a proposal by the Canadian Government for Central America's integration. What is the nature of this proposal? The Nicaraguan minister also said he brought a proposal by his government to reactivate the UN Observer Group in Central America. Was this proposal discussed? We would also like to know, among other things, about the monetary liquidity of the Central American Bank for Economic Integration [BCIE] and whether this agency can continue to give financial support to Central American countries.

[?Rivera] The Canadian proposal, which was made in March, consists of supporting all meetings and consultations between the Central American states as a way to help attain peace, stability, and a better identification of the possibility of improvement in the area. The foreign ministers' decision is to give a joint answer, as a demonstration of unity, in a letter addressed to the Canadian foreign minister. It is premature to anticipate what the results of this letter will be in the future. We do believe, however, that this is a form of support from Canada, which is welcomed in Central America. Regarding the BCIE's liquidity problems, several consultations were made in Washington on 15 October. I think it should be up to the bank authorities to provide more information on this issue. We think the bank should continue to be a working instrument in maintaining financing development projects in Central America and participating in the area's development. We have been told that the BCIE is encountering very serious problems—which have been affecting it for a number of months—because of the pending loans both from Central American governments and the private sector, all of whom benefited from the BCIE in the past. Consequently, there is a whole process to restructure its financial guidelines and policy. I think this will take some time and that it will be necessary for the governments to make very clear short-term decisions. Any other question?

[Carias] I think the reporter's question on the reactivation of the UN Observer Group in Central America was answered when I said it could play an important role in El Salvador if there is an agreement on a cease-fire.

[Moderator] Orlando Sarmiento of Voz de Honduras.

[Sarmiento] Taking advantage of the Guatemalan foreign minister's presence, the Honduran president, government, and the people have decided to present the Guatemalan president with a decoration. Unfortunately, he could not attend this meeting for reasons already explained. Could you tell us when he will come here? We also met recently with President Cerezo at a meeting of the Central American Parliament in Roatan—I mean Central American legislative assemblies. We listened to his report on his talks with George Price of Belize. What about this? In addition, will Panama and Belize be represented at the Puntarenas meeting?

[Rivera] Regarding your question, President Cerezo was unable to honor President Callejas' invitation to the decoration ceremony because of the illness of Alfonso Cabrera Hidalgo, presidential candidate of the Christian Democratic Party. Because of Cabrera's serious illness, President Cerezo canceled his trip in predawn hours on Thursday and spoke on the telephone with President Callejas, explaining to him the reasons for his absence. Today in the morning, the first topic we touched on with President Callejas was President Cerezo's absence. I understand that President Callejas' agenda abroad is extensive. After I talked with the Honduran foreign minister, we inferred that in light of President Callejas' scheduled appointments in Japan and elsewhere—which he cannot postpone—President Cerezo would visit Honduras after the first round of the Guatemalan elections—that is to say, after 11 November. President Cerezo [words indistinct] will attend the presidents' meeting scheduled to be held in Puntarenas on 15 and 16 December.

As for your other question, I think I remember having seen (?you) at the Central American parliamentarians' meeting in Roatan. The talks with Belize and Great Britain are progressing. A technical delegation has visited Guatemala and Belize to consider some views related to political commitments. I think the program for a certain detente is in progress. I also think the Guatemalan people in one year will be able to decide whether or not to support the government regarding the decision on the Belize territory. According to what President Cerezo and his Central American colleagues agreed on in Montelimar, they have allowed time for the settlement of this issue. That is when the Belizean representative can be invited.

Whether or not Panama will participate in the Puntarenas summit, as you know, it was also decided at Montelimar to accept Panamanian President Guillermo Endara and his foreign minister as observers in the preliminary Executive Commission meetings and the summit itself.

Barbados

Sandiford Links Wage Hikes With Productivity

FL3110204090 Bridgetown CANA in English 1832 GMT 31 Oct 90

[Text) Bridgetown, Barbados, Oct 31, CANA—Prime Minister Erskine Sandiford said his government would impose a wage ceiling, if necessary, to ensure the Barbados economy does not suffer as a result of unrealistic wage demands.

Sandiford, in an interview in the latest edition of the COURIER magazine, said he would prefer workers voluntarily accepting the official position that pay increases should be tied to productivity, instead of government having to resort to legislative action.

"..We are committed to free trade unions and collective bargaining activities, and the right of workers to get together to promote their interests. But as a government we have to look after the national interest," he said. "Where demands are such that they will have some deleterious effect on the economy generally, then we will take whatever action will be necessary to protect the general welfare," he added.

Sandiford, who is also minister of finance and the economy, said a proposal for a 30 percent wage increase would be unrealistic in a situation where national output was expanding by only three percent.

"...It is for all those who are in management, in government, in the unions themselves to realise the basic fact that productivity and wage settlements must have a direct correlation and if the wages aspect of it outstrips productivity, then the competitive nature of the goods and services that we produce would be lost, and the goose that lays the golden egg would certainly disappear," he said.

Sandiford's comments were made against the backdrop of a decline in Barbados' international competitiveness because of high domestic production costs.

In another interview with the same magazine, published jointly by the African Caribbean and Pacific (ACP) group and the European Community, Tourism Minister Wes Hall agreed Barbados had the image of being a high cost destination. He, however, was not perturbed by the suggestion that Barbados was in danger of pricing itself out of the tourism market. He said the island compared favourably in terms of Caribbean destinations such as Antigua, Jamaica, St. Kitts, and the Bahamas.

"What we like to do is to give people value for money, and once that is done, I think you will find that we will be OK," Hall said. "Value for money is the name of the game, and therefore we are hoping, with a good product, that we will be able to make sure that our visitors continue to come."

IDB Report Forecasts Economic Downturn

FL3110183090 Bridgetown CANA in English 1538 GMT 31 Oct 90

[Text] Bridgetown, Barbados, Oct 31, CANA—Despite trying times, Barbados achieved living standards comparable to a developed country during the eighties, says a newly released economic review of the Caribbean and Latin America by the Inter-American Development Bank (IDB).

According to the 1990 Economic and Social Progress in Latin America Report, Barbados' per capita income grew in real terms by 7.5 percent between 1980 and 1989 to reach U.S. 6,140 dollars, the highest in the Eastern Caribbean. In addition, thanks largely to heavy government spending and low population growth, the island attained "social indicators comparable to those in industrialized countries, with respect to standards of literacy, education, and health, with respect to access to electricity, and to water and sewerage services, and with respect to life expectancy," the report said.

Looking to the short-term, however, the Washington-based development institution said Barbados faced the prospect of slower growth, a worsening external position, a widening fiscal deficit, and sluggish performance by sugar, tourism, and manufacturing, the key foreign exchange sectors.

Reviewing the past decade, the report attributed Barbados' seesaw economic performance largely to the impact of two external shocks—the second world oil crisis of 1979 and the 1981-82 Western recession, the worst experienced by the industrialized countries since the thirties.

"The early years of the 1980's witnessed a sharp contraction in output, rapid inflation, and fiscal and balance of payments deficits," said the report. "The output decline was arrested in 1983," the report added, "but subsequent economic growth was erratic, ranging from 0.5 percent in 1983 to 5.1 percent in 1986, when real output finally recovered the level at the beginning of the decade." Overall, from 1983 to 1989, the economy grew by an annual average of 2.8 percent.

The economy was driven primarily by tourism during the eighties, but the industry's performance was strongly influenced by market conditions in the source countries, the report noted. Consequently, when North America and Europe, the major source markets, were in the grips of recession during the first half of the decade, tourist arrivals plunged. When the recession eased, the industry rebounded.

"With renewed economic growth of the United States and Europe, tourism from these areas began to recover in 1986, and by the end of the decade, was providing 75 percent of total Barbadian earnings from exports of goods and nonfactor services, 10 percent of current GDP (Gross Domestic Product), and an estimated 20 percent of total employment," the report said.

Agriculture, once the cornerstone of the economy, gave a generally poor performance during the decade, with real output declining at an annual average of 3.5 percent, due mainly to reduced sugar output. Output by sugar, dethroned by tourism as economic "king," fell from two-thirds of sectoral GDP in 1980 to one-third in 1989, the report said. Apart from rising production costs, sugar's performance was also influenced by external factors which included a 50 percent decline in the island's preferential export quota to Europe.

"Through 1985, the sugar industry faltered as export prices, primarily denominated in pounds sterling, became less remunerative because of the rise of the U.S. dollar (to which Barbados is pegged) against European currencies," the report said.

"After 1986, currency movements reversed, with a positive impact on sugar earnings. Nonetheless, by the end of the decade, high production costs had rendered the industry only marginally profitable, even in preferential markets under relatively favourable exchange rate circumstances."

Manufacturing, the third pillar of the Barbados economy, fared no better where external influences were concerned. Contraction of the main Caricom export market was a big blow, and currency devaluations in competing regional countries rendered Barbados a relatively high-cost manufacturing location. With the loss of competitiveness, export sales declined, and heavy disinvestment occurred in the important garment and electronics assembly industries, pushing up unemployment which the IDB said was Barbados' "most pressing problem" at the end of the decade.

The report noted Barbados authorities chose not to devalue the Barbados dollar out of concern "with its potentially adverse effects on domestic costs in an environment of an open economy and rigid real wages." The government attempted to improve competitiveness by promoting a wages and incomes policy, but the effort failed to have the desired effect because of trade union opposition.

In the prevailing circumstances where imports were rising steadily and exports declining, the government's dominant concern focused on protecting the balance of payments and foreign reserves, the report said. Monetary and fiscal policies were the main instruments used. A spin-off from this approach, however, was increasing need for foreign borrowing to keep the foreign reserves at an adequate level.

The report cited a decline in the balance of payments from 1986 as a result of the sharp decline in manufactured exports, higher debt service payments, outflows of capital related particularly to disinvestment in the electronics assembly industry, and possible capital flight. By 1989, the current account of the balance of payments showed a 43 million dollar deficit—there was virtual equilibrium in the preceding year—as debt servicing and imports outpaced inflows from exports and investment.

The foreign reserves had also weakened to the equivalent of four weeks worth of imports, less than half of the 1985-88 average, the report said. Consequently, government imposed a credit squeeze to dampen import demand. Central Bank officials recently said these measures were having the desired effect, with imports registering a 3.5 percent decline up to September, compared with a 20 per- cent increase for the corresponding period last year.

Over the short-term, the IDB forecasts slower economic growth, with earnings from export sources other than tourism not expected to show any major improvement. The bank also predicted continuing pressure on the balance of payments, resulting in part from heavy debt service payments this year and in 1991, and further weakening of the foreign reserves, due to anticipated difficulties in obtaining new loans, and an expected low level of foreign investment.

The report said higher public sector salaries and larger budgetary allocations for capital outlays would contribute to a higher fiscal deficit as revenue growth was expected to decelerate "unless new tax measures are enacted."

The immediate outlook for sugar, manufacturing, construction, and tourism was "not promising", the report said, pointing to higher unemployment.

Cayman Islands

Cuba Explores Possibility of Tourist Exchange

FL3010194490 Bridgetown CANA in English 1901 GMT 30 Oct 90

[Text] George Town, Grand Cayman, Oct 30, CANA—The director general of the Cuban free port island of Cay Largo is in the Cayman Islands looking to establish an exchange of tourists between this British dependent territory and his island.

Mirabel Riquenes of Cay Largo said that because 80 per cent of tourists to his island are from Europe and 80 per cent of tourists to the Cayman Islands are from the United States, a "mutually beneficial flight relationship is possible."

He [as received] explained that he is seeking support for daily flights from Grand Cayman, enabling planes to make the 180 mile trip in the morning from Cayman with U.S. tourists and return that same morning with European travellers looking to visit the Cayman Islands. The flight would then be repeated in the afternoon.

U.S. tourists often have a difficult time visiting Cuba, Riquenes said, because direct travel between the two countries is not allowed by the U.S. Government, which has no diplomatic ties with Cuba. Americans must first obtain a tourist visa, then travel through a foreign

country to reach Cuba. As Cay Largo is a free port, however, Senor Riquenes said there is no customs or immigration for visitors.

Great Britain has diplomatic relations with Cuba, allowing for the possibility of passenger air service between Cay Largo and Grand Cayman, the Cuban official said.

Senor Riquenes said he was pleased with the reception his ideas have made with local civil aviation and government officials, and representatives of private tour operations in the Cayman Islands.

Cay Largo is located approximately 60 miles east of the Island of Pines off the south coast of Cuba. Grand Cayman is 180 miles south of Cay Largo; about 30 minutes travel time by air.

Dominican Republic

Balaguer Orders Exemptions to Currency Regulations

FL3110173090 Santo Domingo Radio-Television Dominicana Radio Network in Spanish 1600 GMT 31 Oct 90

[Text] President Joaquin Balaquer ordered the Customs Department to exempt all merchandise [as heard] from the Central Bank regulations on recovering foreign currencies. The news of this order was revealed by Monsignor Agripino Nunez Collado, representative of the Catholic Church in the ongoing negotiations between the business sector and the chief of state. Msgr. Nunez Collado noted that food and medical supplies are among the shipments of exempted merchandise. The religious leader noted that the president authorized him to make the announcement in the course of the negotiations, which will continue later today.

Exemption Agreement Described

FL3110195590 Santo Domingo Radio-Television Dominicana Radio Network in Spanish 1600 GMT 26 Oct 90

[Station editorial: "The Efforts of the Government"]

[Text] Negotiations are continuing between President Joaquin Balaguer and a group of businessmen who, despite loyalty to their respective organizations, have demonstrated readiness to help the government overcome the current crisis. This group of businessmen, headed by Monsignor Agripino Nunez Collado, has been working with a group of government representatives, headed by Vice President Morales Troncoso, in an effort to find formulas to overcome the national crisis. This is a fundamentally selfless and highly patriotic task. They have already held more than three sessions, and agreed yesterday to exempt merchandise shipped or unloaded before the date the Central Bank decree on foreign currency regulation went into effect. As for the Central Bank regulations, the decree that re-established the system for recovering foreign currencies will apply, without any exemptions, to all merchandise imported after the decree was introduced. Thus, President Balaquer attempts to alleviate the shortage of some types of imports, and at the same time, lock the doors in favor of domestic production. Congratulations.

New Bank Superintendent, Ambassador Appointed

FL3110174090 Santo Domingo Radio-Television Dominicana Radio Network in Spanish 1600 GMT 31 Oct 90

[Text] President Joaquin Balaguer has named Doctor Jorge Martinez Lavandier as superintendent of banks, a position that has been open since the incumbent, Rafael Augusto Collado, was named to the Price Stabilization Institute. The designation of Dr. Martinez Lavandier is contained in Decree No. 441-90 issued last night by the presidency.

At the same time, the president, in Decree No. 442-90, named Alfonso Arias Jimenez as ambassador extraordinary and plenipotentiary to Costa Rica.

Haiti

CEP Initiates Payments to BIV Employees

FL3110200790 Port-au-Prince Radio Soleil Network in Creole 1200 GMT 31 Oct 90

[Text] After much activity at the beginning of the week, the Provisional Electoral Council [CEP] has received the first monetary installment to pay Bureaus for Registration and Vote [BIV's] members.

The payment operations will continue over the next few days with funds being released from the Central Bank at the request of concerned government authorities. The downtown BIV's members will begin to receive pay today, Wednesday [31 October] through Friday [2 November].

Meanwhile the CEP is analyzing dossiers of several thousand candidates—presidential, senatorial, parliamentary, municipal, and Communal Section Administration Council—to reach final decisions on both approved and rejected candidates by 6 November. This forthcoming decision will be covered extensively by the media.

Jamaica

Health Officials Identify Source of Typhoid

FL3110224690 Bridgetown CANA in English 2203 GMT 31 Oct 90

[Text] Kingston, Jamaica, Oct 31, CANA—As Jamaican health officials fight to contain an outbreak of typhoid fever, the authorities in the south west coastal parish of

Westmoreland have warned residents not to buy ice-cream and other foods from side-walk vendors. The health department says that it identified ice-cream, patties (a popular Jamaican meat pie), icicles, shrimps and crabs as contributing to the spread of the disease which has already claimed eight lives.

The national news agency, JAMPRESS, reported that ice-cream has been identified in the diet of 73 per cent of the positive typhoid cases, patties in 65 per cent, and icicles 50 per cent. Shrimps and crabs caught and/or prepared in the parish were said to be "high risk foods" because of where they are caught.

There are 114 confirmed cases of typhoid fever in Westermoreland. This is the second outbreak of the disease in less than three months.

Last week, a ban was imposed by the health department on all public gatherings of 100 people or more in the parish. The ban resulted in the cancellation of a reggae show and a national premier league football match over the week-end.

Guatemala

DCG Candidate Cabrera Said 'Out of Danger'

PA3110200890 Guatemala City Teleonce Television in Spanish 0400 GMT 31 Oct 90

[Text] Alfonso Cabrera Hidalgo, Guatemalan Christian Democracy [DCG] presidential candidate, will not undergo pancreatic surgery as was feared. A source from the ruling party made this announcement in Guatemala City tonight, 30 October. The source stated he had received a report from Methodist Hospital in Houston, Texas, saying that Cabrera is out of danger. The source quoted a report issued by the medical team taking care of Cabrera, which is headed by Guatemalan Dr. Juan Jose Espadas. Dr. Espadas had forecast the recovery of Cabrera in an earlier statement. Rumors were circulating in Guatemala City in the afternoon that Cabrera was probably going to die, but the DCG flatly denied this prediction.

Nicaragua

Danilo Lacayo on National Agreement, Economy

PA3110222390 Managua Domestic Service in Spanish 1555 GMT 31 Oct 90

[News conference by Danilo Lacayo, information and press director for the Presidency, with foreign and local reporters in the Press Conference Room of the National Palace in Managua—live]

[Text] [Lacayo] Good morning, local and foreign reporters. I would like to share some information about this new era in Nicaragua that has begun with the signing of the national agreement on 26 October.

First, I would like to state the government's satisfaction with the signing of this agreement after 37 days of hard work. The agreement is contained in a document, which allows for the start of the economic program that the country needs to solve its financial crisis. The document is proof of the political will of the signatory parties to reach this social peace. This social peace is badly needed for Nicaragua to achieve the minimum stability it needs for its economic reactivation.

I believe that the document, which has received wide publicity, clearly expresses a commitment by the country's forces to comply with the present agreements, particularly during the next six months. The document is concerned with economic stability; with respect for the Constitution and laws; with tolerance of individuals' rights; and especially, as it states near the end, with the stability that should be guaranteed by all sectors.

The document states that the signatory parties commit themselves to solving any conflict through negotiations and dialogue and to guaranteeing the uninterrupted operation of productive activites and services. I believe that this document—clearly supported by the country's labor sectors, the business sectors that signed the agreement, and the government—opens a new phase for this government. It clearly coincides with the second half of the year, because the government completed its first six months in power on 25 October.

I also want to express the government's satisfaction with the support given to the document by important sectors of the country, like the demobilized members of the Nicaraguan Resistance [RN] who, in their document dated 29 October issued in the Las Mercedes Hotel, support and back the agreements reached by the signatory parties. They express their confidence that these agreements will assure the country's economic stability and will lead to lasting social peace that will guarantee the overall development of our people and solve the country's social and economic crisis.

I also want to mention the basic support for the agreement and its economic aspects by the members of Cosep [Higher Council of Private Enterprise] who did not sign it. These members, although they disagree with some legal aspects, have expressed their support for the economic path that the government wants to follow with this plan and agreements.

Like I said, I believe that a new era is beginning for Nicaraguans and the government with the consolidation of this social peace and with the assurance that in six months the goal set by all sectors will be truly one of stability for the country. Domestic conflicts and different viewpoints will be settled through dialogue and negotiations as part of what we could call a permanent concerted effort. As requested by the United Nations, we will try to improve Nicaragua's position abroad, so that the international community will give us the exceptional and preferential treatment that President Violeta Chamorro asked for at the General Assembly on 27 September. The signatory parties also ask the world to treat Nicaragua as a postwar nation so that it can obtain the international support that it needs.

Along these lines, I believe we should mention yesterday's announcement by the president that the Ministry of Foreign Cooperation will be immediately created so that, along with the Foreign Ministry, it can double the efforts to attain these preferential treatments that Nicaragua demands from the international community.

Following the end of the first six months of government and the end of the national dialogue, we have taken advantage of the situation to make the changes that the economic cabinet needs to adapt to this new era that has begun in the country. You are all aware of these changes, which were duly announced last night. I will now answer any questions about the national dialogue or any other topic you may want to discuss. Thank you.

[BARRICADA reporter] Could you tell us about last night's cabinet council meeting that finally led to the appointment of a new Central Bank president? Also, if possible, can you explain the monetary adjustments that will probably be implemented in the next few days? I am

referring to two aspects: First, changes in foreign exchange rates, and second, the massive circulation of the gold cordoba. Thank you.

[Lacayo] With pleasure. Basically, among the changes announced last night was the creation of this foreign cooperation ministry; Dr. Krugger was appointed minister and Dr. Noel Vidaurre was made deputy minister. Other changes were the appointment of Dayton Caldera as president of Cornap [People's National Corporation—Corporacion Nacional del Pueblo] and the appointment of Raul Lacayo Solorzano, replacing Mayorga as president of the Central Bank. Mayorga's resignation was accepted, taking into account that during the first days of the government Dr. Mayorga basically had expressed to the president his desire to help introduce a new currency. Mayorga viewed this task as a temporary task that would take him approximately six or seven months. He then expressed his desire to continue his academic life once that job was completed. Taking into consideration the fact that, in these six months, the new currency was introduced and accepted by all concerned parties of the national concerted agreement, Dr. Mayorga felt he had accomplished his mission and decided to go back to the university to teach. Mrs. Chamorro accepted the resignation he had presented during the first months of this government because, as we said, a new phase has begun, and it is better to give this new phase the stability it needs and prevent disruptions in the middle of its course. It was decided, therefore, that this was the best time to make any changes. That is basically the reason for the announced changes in the Central Bank.

Monetary and foreign exchange rate adjustments, as well as the massive circulation of the new currency will depend on the economic decisions to be made not only by the board of directors of the Central Bank of Nicaragua, but also by the economic cabinet. Today they will implement the economic plan presented at the national dialogue on 21 September with the adjustments made as a result of the agreements reached at the dialogue.

We believe that the economic plan is basically affected by its gradual implementation. As demanded in the national dialogue, this gradual implementation must be in accordance with the minimum social needs of our population, for which Nicaragua demands cooperation from the international community. That gradual implementation should lead to adjustments in the macroeconomic plans that the economic team will prepare in the next few days. The economic team must also begin work abroad to present the national concerted agreements from their true perspective to increase the possibilities of receiving preferential treatment.

We believe that both the exchange rate and the massive circulation of the gold cordoba are technical factors that will be seen in the next few weeks. Basically, they will not affect the current efforts to curb inflation.

[Reporter] I would like to hear your comments on the situation created by Cosep yesterday when, in addition to reiterating its views on the national dialogue agreement, it voiced its opinion on the government's policies. It also joined a sector of the counterrevolutionaries in criticizing the agreement and the actions of the agrarian commission. Do you think this joint attitude by Cosep and this sector of the contras might become customary?

[Lacayo] In the statements by the leaders of that business sector, we have seen a mixture of acceptance and support for the government's economic program and of criticism over the handling of some issues pertaining to the properties distributed prior to 25 February. We believe that the business sectors comprising Cosep basically agree with what we call our vision of the future, especially regarding economic matters. They disagree with matters related to the past and specifically with matters related to property and the criteria used to decide on property disputes. We are worried, however, because Cosep appears to have allied itself to counterrevolutionary sectors that are openly boycotting the National Agrarian Commission agreements. The commission is making very important efforts to consolidate peace in the rural areas. The National Agrarian Commission was fully backed by the participants in the national dialogue, and it includes all the government authorities and the sectors having anything to do with the rural areas. We believe that the commission is presently undertaking the necessary and vital efforts to learn about the main conflicts and to propose immediate and feasible solutions that will resolve the problems of violence that might emerge in the rural areas. Nevertheless, it is known that some sectors of the demobilized contras are not, let us say, offering their best cooperation to this effort by the National Agrarian Commission. They seem to be more interested in complicating the commission's work. These are the sectors that appeared in the Cosep offices yesterday. We would like to interpret this as these sectors' intentions to begin to understand and to support the National Agrarian Commission's agreements. This is so because we believe that any other attitude would be practically an attack on the social peace that was broadly supported in the national dialogue agreements. That is an attack the Nicaraguan Government would not tolerate.

[Moderator] Roberto Gonzalez of Radio Sandino.

[Gonzalez] Yesterday Mr. Gurdian [Cosep leader] was clear in stating that he had been systematically against the Sandinist Front for a number of reasons, but that Cosep was also against the government of Mrs. Barrios, and it would be against any government that did not agree with its viewpoint. Cosep was very clear in stating that. Regarding another topic, you are again creating the Foreign Cooperation Ministry. The Sandinists were always criticized for going around the world asking for international cooperation. Now you are now doing the same. Did you not get enough aid, as was promised by the U.S. Government?

[Lacayo] I think that since Cosep groups said they will support the government plan presented on 25 February—which is the plan the government is trying to implement—we feel we are basically doing well. If there was some opposition on their part to that program, we would be facing a loss of support for the government. They clearly reiterated support, however, for that government program.

This is the same government program that Mrs. Chamorro and the executive branch are trying to implement. All this effort toward a concerted agreement was clearly outlined in the basic goals of the current government program. One that comes quickly to mind is Article 2: The agreement on a national commitment between the government and all social sectors aimed at forging a reconciliation among Nicaraguans and at building democracy and peace to overcome the national crisis. We believe the government is clearly making an effort to put these basic government goals into practice. If Cosep agrees with this, we believe that aside from all the rhetoric and all the complaints it has about the way properties are being dealt with, there is clear support for this program.

Regarding the Foreign Cooperation Ministry, I for one never criticized it. Perhaps it would be better if you addressed your question to those who did criticize it. We believe that this country and government are obligated to go to the international community to get the support they may genuinely wish to give Nicaragua. Nowadays, this becomes somewhat more complicated because of the changes in Eastern Europe and because of the Persian Gulf situation, which have absolutely nothing to do with our internal process. There are just more countries—as I said right here in this same room upon my return from Washington a couple of months back—seeking the same aid. Perhaps there is less money to distribute because of the Persian Gulf situation. We in Nicaragua must double our efforts to obtain the support we were offered. If this support does not materialize soon, we will run the risk of losing it. It is the governent's obligation to ensure this does not happen, and that is why we decided to create the Foreign Cooperation Ministry. Initially, the government had believed the work could be carried out by the Foreign Ministry, but it is simply too much work and also quite a challenge.

[Reporter, in progress] ....are new Cabinet changes planned? What is the government's reply to yesterday's ultimatum by former ARDE [Democratic Revolutionary Alliance] Southern Front chief on the Yolaina incidents and alledged uprisings in Nueva Guinea, Presilla, Muelle de los Bueyes, and La Esperanza?

[Lacayo] It is customary in all democratic governments for ministers to be replaced as conditions and circumstances change. Normally, the practice is that Cabinet ministers hand the president their resignation by the end of December. We shall do this here in Nicaragua this year. We do not expect any Cabinet changes before the end of December. On this occasion we limited our requests for resignations to the economic team. This has to do with the agreements that were to be signed. Generally speaking, it will be the new year before we see other possible changes, depending on the president's decision. Regarding the former ARDE member's ultimatum, we believe this is not within the spirit of the concerted agreements, which are now part of these documents. We believe this is a violent attitude that contradicts the commitments a broad segment of society have attained in favor of social peace. We have made an effort toward a concerted agreement to banish violence from our society, which only serves to generate violent responses by other sectors of society, making it more difficult to live in harmony as Nicaraguan brothers. Instead, we call on these people to make an effort to understand that we Nicaraguans want to resolve our differences through negotiations and dialogue and never through force, as the concerted agreements state.

[Moderator] [Words indistinct]?

[Reporter] Engineer Lacayo, the government has requested the international community to recognize that Nicaragua is living in a postwar situation and thus grant Nicaragua preferential and exceptional treatment. What does this really mean? So the Nicaraguan people can readily understand this, what does this really mean?

[Lacayo] According to page three, Paragraphs 1 and 2 of the concerted agreements, the exception we request from the international community is a preference toward Nicaragua that will favorably resolve Nicaragua's overdue debt with the Inter-American Development Bank [IDB] and with the World Bank so that our country can obtain fresh loans from both these organizations in 1991. The exception will also resolve as quickly as possible the bilateral debt problem that Nicaragua has with many countries, with the acceptance of these lending countries. It will also enable Nicaragua to rebuild itself through an extraordinary exemption of its bilateral obligations, and finally, there will be an increase in donations to face increased social emergencies. In other words, through the treatment we are requesting, we hope to come out ahead from a debt with the World Bank and with the IDB of approximately $300 billion that has accumulated over the past years. Once this debt is erased, Nicaragua can receive soft loans from those institutions to promote development, agriculture, and investments here. As it says here, we request the exception to also favorably resolve Nicaragua's $11 billion in foreign debts, starting with the premise that Nicaragua cannot practically repay anything. This means that these debts have to be practically reduced to under 10 percent.

Finally, this preferential treatment should result in an increase in donations so that we can meet the demands of a social emergency, such as the care of those who are starving, the care of children, health care, attention to the postwar situation, and care for the refugees returning to the country and the demobilized contras who want to settle down with a home and working tools. This is the exception we are requesting. No Latin American or

European country has suffered a war like the one that Nicaragua has suffered for the past 40 years. We believe that the world should be considerate of this reality in our country. Unfortunately, we are the exception rather than the rule in this regard.

[Moderator] We have three more questions by Marlitt, Eduardo Elvir, and Raff Leonard, in that order. Then the news conference will end.

[Marlitt] Engineer, it was announced yesterday that two government delegations will travel to Europe to try to get international assistance. Do you think that Cosep's not signing the concerted effort agreements could prevent the delegations from getting this international aid?

[Lacayo] It could have a negative effect. It will be up to the traveling ministers to explain things away. It will be risky. This is why it is regrettable that Cosep did not sign the accords for reasons of properties and past history. We think, however, that all of the European countries to be visited know that the fundamental thing here is our commitment to social peace with the country's working class, which bears on its collective shoulders the effects of the crisis and the burden of war for all these years. We think that the document these ministers are taking with them—although it is not perfect because of the missing signatures of the Cosep delegates—is a very valuable instrument that makes the economic program outlined therein particularly workable. We believe the paper will be very well received by the international community. We think that Europe is sufficiently aware of our situation to realize that these missing signatures do not represent a boycott of the economy or anything of the sort. All of those countries have ambassadors here who have been truthfully reporting our situation. Everyone knows that Cosep's disagreement deals with things that will not affect the success of this economic plan.

[Moderator] [Question indistinct]?

[Reporter] Mr. Minister, what information does the government have about an incident between contras and peasants in San Juan de Rio Coco, where four people killed?

[Lacayo] All of this deals with what we discussed a little earlier. Demobilized contras, followers of Sovalbarro who accompanied him to Cosep offices yesterday, have appeared somewhat impatient and even negative about the solutions that the National Agrarian Committee is trying to implement in this area. These demobilized men have resorted to force, which resulted in people being killed. We regret this. Even though there are regional and municipal committees—not only the National Agrarian Committee—in the country, particularly in that region, it is too bad that, instead of resorting to the committees to settle disagreements, as befits our Nicaraguan brothers, these peasants have resorted to violence with other peasants to resolve their problems. It is ridiculous that peasants, instead of enjoying the peace attained in Nicaragua, are suffering from a confrontation after being apparently prodded and instigated by others. Through the commission that will meet in Jinotega at 0900 and in Matagalpa at 1500 tomorrow, we will try to find solutions for some previous problems, such as that of Yali and Ocotal. Meanwhile, it is necessary for all of the involved sectors to adopt a considerate and constructive stance. I mean the UNAG [National Union of Cattlemen], the ATC [Association of Rural Workers], the demobilized National Resistance members, and the independent unions. We believe that these commissions can find solutions. Nevertheless, there will be deaths to mourn over to the extent that some insist on using force. The government, however, is trying to follow these events very closely to apply the law whenever necessary. We would agree with the people becoming desperate if alternatives were not offered. But because there are mechanisms, like these commissions and the clear willingness of all to settle disagreements through dialogue, we cannot allow people outside of this commission to insist on using force.

[Reporter] There is a noticeable discrepancy between the attitudes and spirit prevailing among the government's leaders and the attitude prevailing in many municipalities, where the idea of revenge still prevails. What measures has the government adopted, or what will it do, so that the spirit of the concerted agreement may also reach the municipalities?

[Lacayo] You are right. We are aware of that and, believe me, it is difficult to attain a reconciliation after a war, above all in the municipalities and zones of the country that were more harshly affected by the war. The people's hate and wounds are still fresh, so it is necessary for us to quickly and definitely heal the latter, as one of the participants of the concerted agreement said when it was signed. We believe that the National Agrarian Commission [CNA] and its regional and municipal branches can very well begin to help in this; but we will simultaneously carry out conscientious work with the mayors, above all in the 6th Region, where this problem seems to prevail the most.

The CNA agreed yesterday to recommend that the Government Ministry, which is the government branch responsible for maintaining communication with the municipal authorities, calls for a meeting with these mayors as soon as possible. This meeting is necessary so that we may discuss the concerted agreement, its significance, and what the government endorses and so that they may realize the advantages of embarking on this road, which is the only one we have and which is clearly stated in the basic goals sought by the government platform.

The platform talks about the establishment of a de jure state for the enforcement of full democracy and social justice in which all the groups of the nation have the right to express themselves and to participate. The government platform considers the participation of all the groups mandatory. Later on, the platform talks about the basic national goal: the creation of a national salvation government that is essentially civilian, republican,

democratic, representative; and the creation of a government that is based on the nation's unity and that strives to serve the homeland and protect the people's rights, rather than party interests.

This guideline is clearly stated in the government platform's basic goals, and we will never deviate from this. We believe that the mayors, who were appointed through elections, must understand—and they will—that this is the road that may lead us to the consolidation of peace in Nicaragua. The country's current economic conditions obviously make this task more difficult, and the people are more inclined to violence. That is why the government wants to immediately solve, if this is possible, the economic crisis; and to raise the people's level of tolerance and desire to achieve a peaceful coexistence.

[Moderator] Thank you and good day to you.

Mayorga on Resignation, Economic Measures

PA0111023090 Managua Domestic Service in Spanish 2205 GMT 31 Oct 90

[News conference by former Central Bank President Francisco Mayorga with foreign and local reporters at the Presidency's Information and Press Directorate in Managua—live]

[Text] [Danilo Lacayo, Director of Information and Press of the Presidency, in progress] ....the Central Bank. As often happens, certain media—taking advantage of this country's unrestricted freedom of the press—have made some speculations. I want to inform you that this morning, Dr. Mayorga spoke with Mrs. Chamorro and is here to clarify all those doubts and speculations some of you may have. Dr. Mayorga:

[Mayorga] Many thanks, Danilo. Good afternoon. As you all know, the president, as part of the 25 October formalities, requested all members of the economic cabinet to resign. Presidency Minister Engineer Antonio Lacayo informed yesterday me that the president had accepted my resignation. I talked with him and Mrs. Chamorro and was told that since my position in the government was of a temporary nature, that I had had clearly defined objectives, and that since in their opinion, my objectives had been reached, this was a suitable moment for me to return to academic life, where I belong. In this regard, I want to state that I, of course, conform to the will of the president, for whom I had the privilege of serving during her victorious electoral campaign, for whom I made efforts to secure international financial support, and for whom I prepared an economic plan. Afterward, I had the delicate and demanding responsibility of heading the Central Bank.

I have had the president's support for each and every one of my actions, which I have tried to keep within the framework of two principles that she outlined in her inaugural speech. When she was sworn in as president, she said I am here not to give orders but to serve. During these six months as head of the Central Bank I have not wanted to give orders but to serve. She also said that she expected to brandish the revolutionary flag of honesty during her administration. During these six months, the Central Bank has been one of those institutions where accounts were carefully kept and presented and where the behavior of each and all officers and employees has been unquestionably honest—a characteristic that all public servants should have. Here we have also honored Mrs. Chamorro's principle of a revolution of honesty.

Once again I began public service, abandoning the classrooms I had worked in for many years. I return to those same classrooms beginning tomorrow. During moments such as this, it is important to look back. I want to tell you that when I thanked Mrs. Chamorro for the delicate work she entrusted me with and the support she had given me over these six months, I told her that I have two great satisfactions: One of them is that, during the first week of the Chamorro administration, we had a 50-percent inflation rate. The monthly rhythm of the inflation increased during the May events, until it reached 130 percent per month. In June the rhythm of inflation went down but in July it skyrocketed again and reached the 120-percent figure in one week during the July incidents. Then we had the oil price increase, which undoubtedly affected all the costs of the economy. Immediately aftewards, however, with the introduction of the gold cordoba in August, we had a direct and deliberate tendency to reduce the inflation levels. We have managed to curb hyperinflation for the last five weeks.

According to the latest figures, the inflation rate now stands at 25 percent. In fact, month after month, we managed to check the scourge of inflation. Here you can see the average monthly inflation rate, which reached nearly 120 percent in May and went down to 100 percent in June, little more than 85 percent in July, 80 percent in August, and 58 percent in September. We closed October with a 30-percent inflation rate. For seven weeks, the inflation rate has remained under one digit. You can see from any of these charts that inflation has stayed at an average of six percent weekly. I will hand you several copies of these charts, which I have prepared for the occasion.

This means that the economic plan that I had the privilege to draft for Dona Violeta—I am referring to the stabilization plan that has been in force for all these months—has been effective to the extent that the regrettable social and political incidents that led to the inflation peaks of May and July have been overcome. This also shows that, during the three months that the gold cordoba, which represents 20 percent of the currency in use, has been in circulation, it has been freely convertible and converted on a par with the U.S. dollar, has stayed firm, and has been accepted and recognized by the public as a currency gradually displacing the old cordoba. If this trend continues, that is to say, if the stabilization plan remains a part of the economic plan drafted for Dona Violeta's government, in about two months, inflation should be completely under control, the scourge of

devaluation should be completely eliminated, and the proper conditions should occur so that by Christmas all Nicaraguans can trust the gold cordoba as the only stable and firm currency on a par with the U.S. dollar.

We have made two great accomplishments then. We managed to defeat hyperinflation, forcing inflation to withdraw; and for three months, we witnessed the success of the monetary reform and the introduction of the gold cordoba. I would also like to mention two other very important personal satisfactions. The first one goes further back to 25 April or 25 February. When Dona Violeta entrusted me with the privilege of drafting an economic plan for her, I was also asked to disseminate it to every corner of the nation. I accompanied Dona Violeta during her victorious electoral campaign. I have great personal satisfaction over the extent to which the vision of the economic change that the new government could bring about contributed to Dona Violeta's victory. When I put the gold cordoba in circulation, I had the great satisfaction of giving instructions to print on one of those bills the effigy of Pedro Joaquin Chamorro, martyr for public liberties, and a phrase of his—shared by all Nicaraguans who believe in a brighter future for Nicaragua—on his conviction that Nicaragua will again become a republic. During this last time that I appear before the press as a public servant, I can say that I am fully convinced that the Nicaraguan public will protect the democratic principles for which they struggled and for which they reached the electoral ballot boxes through the civic campaign on 25 February. On these principles is based the hope that we all can have a brighter future. I have been serving Nicaragua in the public sector and will now return to the private sector to keep serving Nicaragua as a university professor. I will now gladly answer your questions.

[Moderator] I am hereby reporting that Dona Violeta, in her meeting with Francisco Mayorga today, asked him to be her presidential economic adviser. Dr. Mayorga accepted. Consequently, Dr. Mayorga ceases to be Central Bank president and will now be economic adviser for the Presidency of the Republic. We will now start a question and answer session. We will proceed from the back to the front, starting with Guillermo Cortez of BARRICADA.

[Cortez] Good afternoon Mr. Mayorga. I would appreciate it if you could answer the following two questions. First, up to what point is your economic proposal being modified by the adjustments agreed to in the Social and Economic National Agreement, and will this have any impact on future monetary measures?

Second, since you have mentioned this several times this afternoon, was your proposal during the election campaign really an economic plan or was it a strictly monetary proposal? There are some theories on this that have been proposed by some government officials, including Aroldo Montealegre. I would appreciate it if you could explain this in more detail.

[Mayorga] Maybe I should start by answering the second question first because it would make it easier to answer the first one. In reality, the agenda to rescue the national economy—that I prepared following instructions from Mrs. Violeta de Chamorro and that was part of her electoral struggle platform—had three phases.

There was the emergency phase, which dealt with monetary matters and with matters involving a social emergency; there was the quick-recovery phase that was supposed to begin around the second year in government and that would set the basis for the recovery through agricultural activities; and there was the phase of modernization and change. The most important components of these three phases were: first, in the emergency phase, the search for stability through a number of fiscal and monetary measures, including the introduction of the gold cordoba.

In the quick-recovery phase, we included the institutional reforms Nicaragua needed for a real structural transformation. That is to say, we included privatization, the elimination of regulations and controls on private activities, the transference of state duties to the private sector, the acceptance of private financial advisers in the financial system, and other institutional measures.

In the third phase, we tried to channel the long-term international resources to modernize Nicaragua. Thus, in general terms, we can say that the plan's structure—as (Fiyo de Franco) said at the beginning of the National Dialogue—was totally followed in the stabilization and structural adjustment program. That program represented the development of a number of changes that would take place at the structural level, besides the search for stability through the measures that have been made around the gold cordoba.

Regarding the National Dialogue, I would like to tell you that one of the things that satisfies me the most is that the basic aspects of Mrs. Chamorro's agenda for the rescue of the national economy—the stabilization program's main aspects—were fully backed by all of the nation's sectors, including those that did not sign the agreements.

The agreements give recognition to privatization, to the need for private financial advisers, and to the need to transfer the state monopolies on foreign trade to private merchants. They also give clear recognition to the gold cordoba itself, realizing that in the gradual but quick search for stability, the gold cordoba will have to remain the sole currency.

I would like to say that I was pleasantly surprised to see that even many of the delegations linked to the FSLN nearly praised the gold cordoba when they mentioned it. They almost asked for the gold cordoba to come out as soon as possible. That is very satisfying for me since I had the responsibility of creating this monetary reform and setting it in motion.

[Moderator] Mr. De Leon.

[De Leon] Is it true that when more gold cordobas go into circulation, they will be further devalued?

[Mayorga] Up to now, the gold cordoba has not been devalued a single cent that I know of. I ceased to be president of the Central Bank last night, but I visited the bank this morning, and the gold cordoba is officially on par with the U.S. dollar. I understand that no one has problems with selling dollars to the Central Bank in exchange for gold cordobas or vice versa. Besides, since the new president of the Central Bank was the vice president during these months and participated in the monetary policies that have been followed up to now and in the planning of the stabilization program supported by the national dialogue, I see no reason for the gold cordoba to be devaluated.

On the contrary, I believe that the gold cordoba has full support and that—as long as inflation's roots are controlled, as we have been doing—the gold cordoba will quickly gain ground on the old cordoba until the old cordoba is gradualy eliminated. I also believe that the country has sufficient foreign aid to back the gold cordoba for a very long time once the gold cordoba is in full circulation. After that, it will be the responsibility of all Nicaraguans to bring this country together, and we can do that if we commit ourselves to working together. With an increase in production, which is the best support a currency can have, the gold cordoba will have the best guarantee it can possibly have.

[Moderator] William Roig.

[Roig] Good afternoon, doctor. I would like you to be more specific. What has really caused this tendency to reduce inflation and control hyperinflation? Was this the result of the five- or six-percent devaluations scheduled for each Monday? I would also like you to answer another question. Last night there were reports about fierce debates in the economic cabinet. Even though you said here that the government believes its plan has fulfilled its goals, there are reports that you do not fully agree that the gold cordoba should be introduced en masse—as was requested by the Sandinist organizations—to replace the old cordoba as soon as possible. We have also heard that it is not true that you have maintained the gold cordoba's parity with the dollar and that it is time to devalue the gold cordoba. I would like you to answer this, if you please.

[Mayorga] First, let me take you into my confidence. There was really no debate last night during the Cabinet meeting, which was extremely long. I would like to tell you, however, that, to my great personal satisfaction, there was a lot of praise for the economic plan and for the actions I carried out during the campaign, the transition period, and the six months I have been in charge of the Central Bank. In fact, I was quite pleased because the entire Cabinet applauded me affectionately on the occasion of my farewell. You can rest assured, therefore, that there has been no discussion or debate. Quite the contrary, it was a heartfelt, affectionate, and solidary farewell.

On the other hand, I respect the opinion of colleagues who believe that it would be good to devalue the gold cordoba, but I must tell you that I believe that—just as Nicaragua kept its currency on par with the U.S. dollar between 1912 and 1931 and just as Nicaragua maintained a fixed exchange and free conversion between 1950 and 1979—there is no reason for us to fear or wish for the devaluation of the gold cordoba. Besides the technical arguments, which are corroborated by history since Nicaragua had the cordoba on par with the U.S. dollar from 1912 to 1931, 19 years, and there was a fixed seven to one parity with free conversion for almost 30 years, Nicaragua needs to have a fixed exchange rate which may give the public the confidence that the gold cordoba has given it.

Now with the gold cordoba, everyone knows that they can save with confidence. They know that there is the possibility of setting up accounts safely, without fearing that the currency will be devalued in the future. Everybody knows that, with a stable currency, investors can make plans and the banks can take deposits and get the resources they do not have right now to grant credits for production. All of this is good for the recovery of the economy. A stable currency such as the gold cordoba is a currency to build the future of all Nicaraguans.

[Moderator] Mr. Augusto Morales, Radio Corporacion.

[Morales] Good afternoon, Dr. Mayorga. It is unfortunate that you are leaving Mrs. Chamorro's cabinet.

[Mayorga] Excuse me, I did not hear you.

[Morales] It is unfortunate that you are leaving the Cabinet post of president of the Central Bank of Nicaragua.

[Mayorga] Thank you.

[Morales] It is being insistently said in local political circles that the macroeconomic plan prepared by Dr. Francisco Mayorga collapsed when the FSLN [Sandinist National Liberation Front] plot was carried out. I am referring to the gold cordoba's economic plan. Now Dr. Francisco Mayorga will return to the private sector. He will become an adviser to the president of the Nicaraguan people, Mrs. Violeta de Chamorro. When will the gold cordoba circulate freely, taking into consideration that we have a large amount of chancheros [old cordobas] circulating in Managua and throughout the country?

It is also said that Dr. Francisco Mayorga leaves behind a hot potato for the new Central Bank president. What can you tell us about this, Dr. Mayorga? That is all.

[Mayorga] Of course. I thank you for your words. I would like to tell you that I was the one who got the hot potato, meaning that inflation was high. Now that inflation has

been reduced to the current levels, the potato, it is true, is still somewhat warm. I think, however, that if I did not burn my hands, then Doctor Raul Lacayo is not likely to burn his. Right?

On the other hand, as of today, the decisions on monetary reforms will undoubtedly be in the hands of the economic cabinet, of which I am no longer a member. I will return to my post as professor at INCAE [Central American Institute of Business Administration] and, since Mrs. Chamorro asked me, I will certainly be available whenever she needs to consult with me, talk with me, or request my opinion. She will always have my humble opinion at her disposal. The responsibility of handling the economy, however, is now in the hands of the new Central Bank president; the economy minister; the finance minister; and the minister of the Presidency, who presides over the economic cabinet. It will now depend on their wisdom and ability to abide by the program for stabilization and structural adjustments that I helped to design and by the original economic plan, which includes these measures. I have no doubt that we will continue to achieve progress; that we will manage to defeat inflation; and that we will have the opportunity to get rid of the old cordobas and enter a new phase, with the gold cordoba as the only currency in circulation and as a strong currency on a parity with the dollar. I have no doubt that this is totally feasible because it is already being done, and we have been ascertaining this for several months. I believe that the tendency is clearly defined. The potato is cooling off, and I believe that next year we will all have gold cordobas in our pockets.

[Moderator] Any other question for Dr. Mayorga? (Placido Santana).

[(Santana)] Doctor, you say you are satisfied because the Sandinists supported the gold cordoba at the concerted agreements. What is your opinion about Cosep's position? You will recall that Cosep fought the Sandinists' economic plans. Gilberto Cuadra visited Europe campaigning against the Sandinist economic plans and requested that Nicaragua be denied economic assistance. What would happen if these gentlemen who now confront Mrs. Chamorro's government step up their positions and carry out the same campaign and refuse to produce? What would happen to your program?

[Mayorga] We have had problems with the different sectors throughout this period. The May hyperinflation outbreaks had their roots in the May strike. The terrible July hyperinflation outbreak also had its roots in the July disturbances. There is no doubt that polarized positions of confrontation do not contribute at all to the people's well-being. I, with my firm democratic beliefs, deeply respect everyone's ideas. Throughout all these years in which I civically took part in Nicaragua's democratic struggle—the same way in which I struggled throughout these months with my responsibility as a government official—I have insisted that it is important for all sectors to try to unite as Mrs. Chamorro has asked and to join hands and seek understanding. All I can do now is reiterate the importance that Nicaraguans remain united and that we learn to overcome our differences. Unless we are sufficiently mature, sufficiently great as citizens, and sufficiently ambitious about what the future demands for our children; and unless we overcome what the future demands, despite our small differences, Nicaragua will have difficulties coming out ahead. On the other hand, I have great faith that as we forget our rancor, quarrels, and grief over the war—which only a couple of years ago was still going strong—slowly but surely we shall all begin to understand and develop this national reconciliation spirit that the election of Mrs. Violeta Barrios de Chamorro brought to the country.

[Moderator] (Richard Trudeau), THE LOS ANGELES TIMES.

[(Trudeau)] Good afternoon, Dr. Mayorga. I do not know if I understood you correctly, so I would like you to explain once again the nature of your temporary work with the government? Does this hold true for all ministers or was your case something special? Could you please explain what happened?

[Mayorga] The president decided to ask for the resignation of the entire economic cabinet. The president decided to accept my resignation, and I accepted her decision. The Presidency explained to me that because they realized I was working for the government only on a temporary basis and because I have an academic career that has been waiting for me for some time now, they believed the goals I myself had drafted had been attained. These goals were drafting the economic plan, getting the gold cordoba under way, and controlling inflation. Having attained the three goals, the Presidency decided that this was the best time to free me from my public service commitment and allow me to return to my academic activities.

[(Trudeau)] When did the president ask for all the resignations?

[Mayorga] About three weeks ago.

[(Trudeau)] Why?

[Mayorga] Because the six months in government were nearing.

[(Trudeau)] Only because of that?

[Mayorga] Yes.

[(Santana)] Doctor, a short question: Would you have liked to stay on as president of the Central Bank?

[Mayorga] Pardon?

[(Santana)] Would you have loved to stay on as head of the Central Bank?

[Mayorga] I will be frank. I began working for the government—with a happiness to serve Nicaragua—and have been performing this task—which is full of hard work and sacrifice—with great patriotism. With the

same happines with which I arrived here, I now return to the classrooms that have waited for me for all these months to share my experiences and knowledge with the youths that I have taught for many years.

[Cortez] Dr. Mayorga, I am not mistaken in saying that, together with your academic merits, which are very well known in Nicaragua, the 100-day plan will be associated with you for a long time. It was in essence the electoral promise: to solve the inflation problem in 100 days. Later on, you explained that the promise was not kept because of the social instability Nicaragua has experienced throughout these past months. Based on this, my question is the following: You are now saying, six months later, that you are pleased with a current inflation rate that is 30 percent or a bit less. Do not you think that this, in comparison with your promise, is not that significant?

The economic and social concerted agreement made changes in the economic plan. As Engineer Lacayo said this morning, the pace at which it will be implemented and the social measures will be changed. How will these changes affect your economic plan and, more specifically, how will they affect the monetary policy?

Finally, the last colleague who asked a question said that it is hard for us to understand the causes of all this. I would like to insist: Why were you the only one whose resignation was accepted if everyone else was asked to submit it. Can you elaborate more on the reasons for this?

[Mayorga] Regarding your last question, I think you should address it to the president. I am not the best person to answer it. Regarding the 100-day plan, let me explain. First, we said that we could resolve the inflation problem that existed in January and February in a matter of 100 days. As you and all Nicaragua know, however, the events of February, March, and April multiplied the economic problems which existed and which led Nicaragua to a hyperinflationary situation, which was worsened by the events in May and July which everybody knows about.

I remember a LA PRENSA editorial that spoke of an interrupted operation. Economic operations are delicate. They are negatively affected by incidents and sabotage which are the equivalent of earthquakes, drought, or hurricanes. The deadline, of course, had to be extended.

In this very same place, after the first strike, I said that it was obvious that it was impossible to meet the 100-day deadline because many weeks were lost because of the harmful strike. I reiterated this after the July strike. I even said that the situation was one that would last several more months before it could be controlled.

I do not know when is the right moment to start counting again. But, evidently, we have not had any big strikes recently, with the exception of the banking employees' strike. We have been going through a period in which we have been implementing the plan normally and successfully.

The point here is that after the national dialogue, opposing sectors—which were so distant and polarized that they had adopted an attitude of confrontation—are now sharing a common view of the national situation and are supporting this economic effort. Consequently, it is certain that success is guaranteed. The only guarantee for the success of an economic plan is social peace. You had asked a third question, but you linked them all together. Would you be so kind as to repeat your third question?

[Cortez] It was the first question I asked the first time I talked.

[Mayorga] It was on the changes that were made to the plan.

[Cortez] That is correct.

[Mayorga] Perhaps I can violate the confidentiality rule as I am no longer a member of the economic team. Perhaps I can tell you the following: There were two views within the economic cabinet. One was to make adjustments as fast as possible, in one or two months. The other was to make gradual adjustments within three, four, five, or six months. Just as I proposed it in the original economic plan, I advocated gradual changes. Thus, it is encouraging to me that the national dialogue moved the deadline from two to six months.

Regarding the social content of the program, if you read the Agenda for the Rescuing of the National Economy, which I had the privilege to draft following Mrs. Chamorro's instructions, the emergency phase includes the social emergency fund and it is described there. During the transition period, two volumes of special projects for the country's social emergency were prepared. The implementation of the social emergency fund was delayed for various reasons—including those we have been mentioning—that I would not like to elaborate on. I feel, however, that the social measures were an inherent part of the original plan. They were duly contemplated in the stabilization program and undoubtedly, they were emphasized during the national dialogue. To me, this is very positive and encouraging because it will enrich the profound social dimensions of Mrs. Chamorro's economic plan.

[Moderator] Mrs. Rebeca.

[Rebeca] Do you believe that the weekly pace of the devaluations will be maintained now that you will no longer be at the Central Bank? It has been rumored that some major devaluations will be forthcoming with the changes at the Central Bank. If this is true, how would the gold cordoba be affected? Would this lead to a further devaluation of the gold cordoba? It has been

rumored also that you lost your job because of your insistence on making the gold cordoba available as if with a dropper [gotero].

[Mayorga] In the first place, it was a big dropper because right now the gold cordoba represents 20 percent of the circulating currency. In the second place, I believe that those who encourage speculation about a major devaluation or a devaluation of the gold cordoba are not helping Nicaragua. I am going to tell you what would happen in Nicaragua if there were a major devaluation. A major devaluation would automatically make all prices skyrocket, because the dollar is already a significant component of the Nicaraguan economy.

In the second place, such a devaluation would mean increasing salaries and paying with old cordobas. This would force the government to issue more cordobas to cover its payroll. This would be like putting this graph upside down again. I do not think any economist in the Chamorro government would make such a decision or recommendation.

Regarding the gold cordoba, I think we must acknowledge the fact that no country can develop without a currency. Nicaragua ceased having a currency when hyperinflation destroyed first the old cordoba and now is destroying the new cordoba, which is circulating right now. For a country to have a currency, time deposits, savings deposits, and demand deposits; and for people to have a few pennies in their pocket, it is necessary to have trust in that currency, and it is the Central Bank which must develop and guarantee that trust.

The Central Bank is responsible for making sure that the economy is not flooded with more cordobas than what it needs to function. It must ensure that cordobas are not poured out in an inordinate or inflationary manner. The Central Bank is also responsible for making sure that enough dollars are available so that circulating cordobas may be freely exchanged for dollars.

This is what we have been doing during these difficult months. We have been making progress. When we took office, the devaluations were big and took place on a daily basis. We first said: There will be three devaluations per week. We delivered. After four or six weeks, we said: There will be only two devaluations per week: Tuesdays and Thursdays. And we delivered. We also said: Devaluations will never be larger than 10 percent, and we delivered. Sometime later we said: We will have only one devaluation per week, and we again delivered. We said also: The weekly devaluations will take place Monday and they will never be larger than 10 percent. We delivered. Some weeks ago we said that the devaluations would be five percent or less, and we have come through.

I think this is the kind of commitment that a monetary authority should have with the people. The Central Bank of Nicaragua has been fulfilling, step by step, all its commitments throughout all these months. I want to assure you that the board of directors of the Central Bank, which is now headed by Dr. Raul Lacayo, will deliver whenever it makes a commitment. This is the essence of monetary authority: To give the people a sense of firm commitment and stability. If the Central Bank of Nicaragua fulfills the economic program, and if the rest of the government backs the Central Bank, Nicaragua's sole currency soon will be the gold cordoba. This gold cordoba will be solid, strong, firm, and on par with the dollar. It will build Nicaragua's future.

Thank you. Good night.

Central Bank Manager Replaced; Ministry Created

PA3110155990 Managua Domestic Service in Spanish 1330 GMT 31 Oct 90

[Communique issued by the Press and Information Directorate of the Presidency in Managua on 30 October—recorded, read by Press and Information Director Danilo Lacayo]

[Text] The press and information director for the Presidency of the Republic of Nicaragua wishes to make known to the Nicaraguan people and the international community that President Violeta Barrios de Chamorro announced the following at a Cabinet meeting:

1. The Ministry of Foreign Cooperation will be created immediately to obtain resources from friendly countries and international organizations for the country's economic recovery.

2. Erwin Krugger Maltes has been appointed minister of foreign cooperation. Noel Vidaurre Barrios has been appointed deputy foreign cooperation minister.

3. Dayton Caldera Solorzano has been appointed director of the Board of the National People's Sector Corporation, Cornap.

4. Raul Lacayo Montealegre has been appointed president of the Central Bank of Nicaragua.

5. Jose Adan Guerra has been appointed deputy minister of the Presidency as private secretary.

Managua 30 October 1990.

42nd Weekly Cordoba Devaluation Reported

PA3110171390 Managua Radio Ya in Spanish 1200 GMT 29 Oct 90

[Text] There is a new devaluation of the cordoba today. As is customary, this is another black Monday. The exchange rate for the U.S. dollar now goes from 1.47 million cordobas to 1.54 million cordobas. This is the 42d devaluation by the government in its first six months in office. Everything will continue, therefore, to go up in price. Meanwhile, the U.S. dollar began to be sold for approximately 1.67 million to 1.70 million cordobas in the black market yesterday afternoon.

Argentina

Calm Reported Following Resignation of Governors

PY3110165390 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2154 GMT 30 Oct 90

[Text] Buenos Aires, 30 Oct (NA)—Interior Minister Julio Mera Figueroa said this afternoon that "there is absolute calm" in Chubut and Jujuy Provinces and that constitutional mechanisms "are normally operating" following the resignations today of Governors Nestor Perl and Ricardo de Aparici.

The minister categorically denied that the federal government has ordered the mobilization of the federal police and other security forces to maintain order in those provinces.

He said that the principal reason for the resignation of Perl and de Aparici is "the serious financial problems" within their administrations.

He added that the government "is evaluating" the political implications of this event—the resignation of two provincial governors on the same day—which is almost unheard of in the history of Argentina.

The minister announced that two Interior Ministry overseers will go to Jujuy and Chubut tomorrow. They will evaluate the situation and immediately submit their reports.

Interior Ministry Advisers Adrian Farina and Octavio Pinzon will travel as overseers to Jujuy and Chubut, respectively.

Provinces To Receive More Funds

PY3110120090 Buenos Aires Domestic Service in Spanish 1500 GMT 31 Oct 90

[Excerpt] We said that we were going to talk about the situation in the provinces. This morning Interior Minister Julio Mera Figueroa spoke on this topic.

The minister stated that the government hopes that there will not be a repetition in other provinces of the situation that has occurred in Chubut and Jujuy where, as it is already known, the governors have resigned.

He maintained that he is not concerned with the decisions taken by those concerned, as long as they acted within the law.

Before departing this morning for Cordoba from the military sector of the Buenos Aires Jorge Newberry airport, Mera Figueroa said that from the institutional viewpoint the situation in Jujuy and Chubut is normal.

Provinces that have implemented economic readjustments will be able to cope with the crisis better than those that have not, but regrettably the crisis exists with or without readjustment, he stressed.

Meanwhile, the national government has granted concessions to the provinces. For example, the executive branch has ordered a 57-percent hike in oil royalties, and the fund for roads in the interior has been increased by 100 percent. The provinces will also receive $100 million in financial aid at the end of the year. [passage omitted]

Clash Erupts; Protests Spread

PY0111013090 Buenos Aires NOTICIAS ARGENTINAS in Spanish 0030 GMT 1 Nov 90

[Excerpt] Buenos Aires, 31 Oct (NA)—Today's provincial crisis has so far caused the resignation of Chubut Governor Nestor Perl, a violent confrontation between antagonistic sectors in Jujuy in which 20 people were injured, including one with a bullet wound, and the announcement of new conflicts in Salta, Santiago del Estero, and Tucuman.

The most serious incident occurred today in San Salvador de Jujuy, where the resignation of Governor Ricardo de Aparici was not discussed by the local legislature; therefore, the governor is still holding his job. About 2,000 demonstrators from the local multisectorial organization and about 800 of the governor's supporters got involved in a ferocious, one-hour fight, throwing all kinds of sharp objects at each other.

Several firearms also came out during the clash in front of the legislature, where the infantry guard had to resort to violence and the use of tear gas to stop the enraged demonstrators, who also attacked the security agents. [passage omitted]

UK Considering EEZ for Falkland Islands

PY3110160090 Buenos Aires CLARIN in Spanish 28 Oct 90 p 2

[Report by Oscar Raul Cardoso]

[Text] Diplomatic sources have told CLARIN that British authorities have officially and unofficially notified the Argentine Government at least three times this month that the British Government is seriously considering unilateral implementation of a 200-mile exclusive economic zone [EEZ] around the islands of the South Atlantic. This situation brings into question the Argentine Government's policy on this conflict.

The Argentine Government answered the notifications saying that extension of the EEZ according to the terms established in the Law of the Sea could represent a serious problem in the reestablishment of bilateral relations agreed upon in Madrid last February. Extension of the economic zone would overlap with the economic zone claimed by Argentina from its continental territory.

The British Government has linked this measure with the need to preserve the region's fishing resources, and the government of the British occupation of the Malvinas Islands has asserted that it has the support of the Japanese, Taiwanese, and Korean Governments (three

of the main countries with fishing ships in the South Atlantic) in implementing the 200-mile zone.

In addition to that, London is reportedly considering as inapplicable recommendations made in an Argentine document containing concessions by Buenos Aires. The two governments had decided to sign a fishing agreement before the end of the month. The UK, which has not ratified the international Law of the Sea, is already implementing the EEZ concept in other domains in the South Atlantic such as Ascension Island.

These revelations were made by concerned local officials who stressed that if true, the decision constitutes "an abrupt and unwanted change" in the existing status quo. The same sources said less emphatically that the proposal would place a curtain of doubts before the policy of rapprochement between London and Buenos Aires that was adopted by Carlos Menem last year.

These developments would strain the umbrella accommodation created by both parties as a way of postponing, without deadlines, a resolution of the conflict on Malvinas Island sovereignty. Fishing has always been a point of conflict for negotiators on both sides because it is linked to the issue of sovereignty.

The situation is so complex that the Argentine Embassy in London decided to advise Foreign Minister Domingo Cavallo to suspend his second trip to London this year. Cavallo must sign a bilateral agreement on investment guarantees in London at the end of the month, but sources said he "is pondering what to do."

According to sources, the three notifications came in the following order:

1. At the beginning of the second half of the month, Tristan Garel Jones, British deputy foreign minister for South America, and other Foreign Office officials visited Buenos Aires. The special envoy notified Cavallo of the British Government's position.

2. The British negotiators accompanying Jones included the EEZ issue in their agenda.

3. Last week, Foreign Office officials reiterated the argument to Ambassador-at-Large Lucio Garcia del Solar, who was making a private visit to London. Although the communication was unofficial, it is significant that it was made to the diplomat who was Argentina's chief negotiator in the process of reestablishing relations.

In an interview with CLARIN during his visit to Buenos Aires, the British deputy foreign minister described the negotiations in the following terms:

"We are now talking about the administration of maritime areas in order to reach an agreement, although I cannot hide that there are problems."

On 11 October, a few days before the Cavallo-Jones meeting, the islands' government released a communique under the suggestive title of "Fishing Comes First in the Falklands."

The one-page communique said: "The Falklands Government is currently trying to get assurances that the extension of the fishing management zone around the islands to 150 miles will be given priority in talks between the UK and Argentina."

The islands' authorities also expressed concern over the course of those bilateral talks because they affect their interests.

Counselor Ron Binnie, the islands' envoy to the talks, said he wanted "early and categorical assurances that the islanders' wishes will take precedence" in the bilateral talks.

It is believed that the position Jones and the other British negotiators maintained in Buenos Aires is a consequence of the pressure exerted by the islanders and the powerful fishing sector, which, in 1989, made the 1,800 islanders one of the most prosperous western communities, with a per capita income of 16,600 pounds sterling, which at that time amounted to some $26,500.

In that year, fishing licenses yielded 30 million pounds sterling ($47.7 million) for the islands' government.

The islands' government has announced that the price of licenses to operate in the zone, which are granted each season, will increase in 1991 (by 15 percent for Liligo squid and 8.7 percent for Illex squid, which are two of the most sought after types of fish).

To make things even more uncomfortable for Menem and his administration, the domestic British debate has become entangled—because of political irony—with the Persian Gulf crisis since, according to the president and the foreign minister, Argentine participation there will entail special consideration from the Western powers.

By mid-October, Douglas Hurd, UK secretary of state for foreign and commonwealth affairs, suffered a setback when he canceled a meeting with Palestinian representatives. Critics have said that British policy on the Middle East exhibits the same ambiguity that is seen in policy on Gibraltar and the Falklands.

Andrew McEwen said in the 19 October issue of THE TIMES that Hurd has not corrected the mistakes of his predecessors, John Major and Geoffrey Howe, who "refused to grant the islanders' request for a 200-mile zone." Adrian Hamilton suggested in the OBSERVER, two days later, that "those who mention British complicity with Saddam Husayn are the same who advocate a broad approach to the Falklands, Hong Kong, Gibraltar, and Tibet issues." One of the problems of current foreign policy seems to be the fact that it always appears to miss the place it seeks to occupy in the international arena.

Menem and Cavallo have no easy options. As of yet, the government has not been able to issue a fishing law, and this has left Argentina at a clear disadvantage.

Cavallo wants to go to London because he expects the bilateral balance of trade to reach the $1 billion mark in a relatively short period of time and because he wants to attract investment. Yet, in addition to this new possible conflict, he has to cope with the fact that he is planning a second trip to London before his British counterpart has given any indication of reciprocity. This may be a minor issue, but international relations are made up of such gestures.

The Meaning

Among other things, the British decision will have the following implications:

- London would reduce the concessions granted during negotiations held in February, when it decided to lift the military exclusion zone created during the 1982 war and to release a 4,000 square km "half-moon" zone in the sea. This zone was released through modification of the fishing management zone that was established in 1986.

- London would enact permanent and temporary rules of the 1982 Law of the Sea.

- For obvious geographical reasons, there would be an overlapping of exclusive zones extending from the mainland and from the islands, giving new, expanded magnitude to the territorial dispute.

- London would strengthen its position as an applicant for consideration as a country with a South Atlantic coast. This would also give more power to any demands for independence by the islanders.

- Argentine ships could in theory fish in the new zone, but to do this they would have to ask the islands' government for permission. This would imply a clear recognition that the rights the UK is exercising in a de facto situation are also de jure.

Humanitarian Organization Official To Visit Iraq

PY3110120690 Madrid EFE in Spanish 2006 GMT 30 Oct 90

[Text] Madrid, 30 Oct (EFE)—Argentine Antonio Mario Rotundo, vice chairman of the Foundation for Peace and Friendship of the People, will visit Iraq this week in response to an invitation from an Iraqi association. The foundation is headed by Maria Estela Martinez de Peron [former Argentine president] and is headquartered in Madrid.

Rotundo told EFE today that he has been invited by the Iraqi Association for Friendship and Solidarity With the People through the Iraqi Embassy in Madrid. The Iraqi association stated that it decided to invite Rotundo in view of the fact that he is the vice chairman of a foundation that "promotes humanitarian actions and endeavors to safeguard peace."

Rotundo is also chairman of a similar nongovernment organization that is based in Buenos Aires and does not depend on the UN. He said he has not yet received the agenda of his visit, but "he expects he will meet with Iraqi President Saddam Husayn."

Rotundo said it is certain that he will meet with members of the Iraqi Government, and that he will visit Baghdad and several other Iraqi cities and "possibly Kuwait."

"This does not mean we are taking a position; we would do this in any conflictive situation and in any other country. My trip is strictly humanitarian," Rotundo told EFE.

In this regard, he said that if they [the Iraqis] chose the foundation, it is because they believe "we can do something for peace."

Reportage on Cavallo's Visit to Spain

WA311O183590

For reportage on the visit by Foreign Minister Domingo Cavallo to Spain, including reports on his talks with Prime Minister Felipe Gonzalez regarding bilateral relations, Latin America, and international affairs, please see the Spain section of the 31 October West Europe DAILY REPORT and subsequent issues.

Brazil

Former President Figueiredo 'Imported' Uranium

PY3110185590 Sao Paulo FOLHA DE SAO PAULO in Portuguese 27 Oct 90 p A-4

[Report by Regina Eleuterio]

[Excerpts] Federal Deputy Anna Maria Rattes yesterday stated that the Commission for Congressional Investigations [CPI] has received a report that former President Joao Baptista de Oliveira Figueiredo assumed direct responsibility for the uranium that was imported in 1983, outside international safeguards, for the parallel nuclear program. [passage omitted]

FOLHA DE SAO PAULO tried to contact the former president, but he could not be found. On 3 October, before voting in Petropolis (66 km from Rio de Janeiro), Figueiredo told this newspaper he was convinced he made the correct decisions in the nuclear sector. According to him, military projects have served to master the uranium enrichment cycle.

Physicist Aquilino Senra, who was a member of the delegation organized by the CPI to inspect the (Navy) Aramar Experimental Center in Sao Paulo, said that it is important to know the degree of enrichment of the uranium imported by Brazil. Another doubt is whether uranium was imported more than once.

Senra said: "A reactor like that of the IPEN (Institute for Nuclear and Energy Research) uses 220 kg of uranium enriched to approximately four percent." He added that uranium enriched to a maximum of 20 percent can operate a research reactor. Above that it is used only for military purposes. To make an atomic bomb, the uranium must be enriched to more than 90 percent.

Rattes noted that within two or three weeks the CPI will visit the Army Technological Center (Cetex) in Rio de Janeiro. The CPI will then visit the Air Force installations in Sao Jose dos Campos. "Our objective is to create an institutional mechanism that will oversee the military projects and create in Brazil a single nuclear program," she said.

New Oil Well Discovered in Campos Basin

PY3110145090 Brasilia Radio Nacional da Amazonia Network in Portuguese 0900 GMT 31 Oct 90

[Text] Petrobras [Brazilian Petroleum Corporation] has discovered a new oil well in the Campos Basin. The new well has an estimated reserve of 100 million barrels of oil and can produce 5,000 barrels per day.

On announcing the discovery, the company press department reported the conclusion of the drilling and production testing phase of well 1RJS380, which reaches a water-bearing stratum that is between 600 and 900 meters deep [as heard].

The new well adds about 100 million barrels to Brazil's oil reserves, which stand at 2.8 billion barrels. The discovery increases the importance of the Campos Basin, which is on Rio de Janeiro State's northern coast. The basin produces approximately 410,000 barrels of oil per day, or approximately 60 percent of the national oil production, which is approximately 657,000 barrels per day.

Embraer Company Reports Economic Losses

PY3110234990 Rio de Janeiro Rede Globo Television in Portuguese 2200 GMT 30 Oct 90

[Text] Aeronautics Minister Brigadier Socrates da Costa Monteiro yesterday received a report on the situation of Embraer [Brazilian Aeronautics Company]. The report states that during the first half of this year the company lost 6 billion cruzeiros and will have to dismiss 4,000 employees. The report was delivered by Embraer Superintendent Ozilio Silva [name as heard] who will tomorrow, at the company's headquarters in Sao Jose dos Campos, Sao Paulo, announce the measures that will be adopted to face the crisis.

Police Arrest Man Collecting Funds for Iraq

PY3110194190 Rio de Janeiro O GLOBO in Portuguese 30 Oct 90 p 8

[Text] The Sao Paulo police yesterday afternoon arrested Amauri Roberto Justino in a downtown hotel. He is accused of being directly responsible for setting up the false SOS Committee for Iraq. He was caught redhanded collecting milk, medicines, and donations for Iraqi children. Amauri Justino will be accused of fraud, of misusing ideology, and of using several false identities. To collect funds, he said that he had the support of Cardinal Dom Paulo Evaristo Arns [Sao Paulo archbishop], of Sister Dulce [nationally famous elderly Catholic nun who has devoted her life to working with poor children], and of the Iraqi Embassy.

Court Rejects Extradition for G. Stroessner

PY3110232890 Brasilia Domestic Service in Portuguese 2100 GMT 31 Oct 90

[Text] The Supreme Federal Court has unanimously rejected the extradition of Colonel Gustavo Stroessner, son of former Paraguayan President Alfredo Stroessner, by a vote of 11 to zero. The judges ruled that the Paraguayan Government had not met the requirements to obtain his extradition.

According to the Supreme Federal Court, the Paraguayan Government filed inaccurate charges on the crimes that Colonel Gustavo Stroessner committed in his country, omitting, for example, dates and evidence.

Stroessner's son has been held by the Brasilia Federal Police for three months now. He will be released late in the afternoon on 2 November.

Joint Seminar on Environment Opens in Brasilia

PY3110233690 Brasilia Domestic Service in Portuguese 2100 GMT 30 Oct 90

[Text] Brazilian Foreign Minister Francisco Rezek, Environment Secretary Jose Lutzemberg, and Lynda Chalker, British minister for overseas development, opened the first Brazil-UK seminar on the preservation of the tropical rain forest in Brasilia today.

The seminar sponsored by the two governments is being attended by British and Brazilian environmentalists and is aimed at finding ways to make appropriate use of Brazil's natural resources and recovering devastated areas.

At the opening of the seminar, Minister Chalker read a message from Prince Charles in which he calls attention to the devastation of the environment and stresses the need to recover what has been destroyed and to preserve other areas.

IBAMA [Brazilian Institute for Environmental Affairs and Renewable Natural Resources] President Tania Munoz referred to the importance of the technical cooperation agreements on the environment being implemented by the two governments. [recorded passage indistinct]

Munoz said a document containing the general guidelines of a project for the Amazon region will be released when the seminar closes on 1 November.

Attempted Hijacking Detours Varig Flight

PY0111024290 Rio de Janeiro Rede Globo Television in Portuguese 2200 GMT 31 Oct 90

[Excerpts] A Varig Airlines Boeing-747 which was supposed to arrive in Rio this morning is at the Las Palmas airport in the Canary Islands after Affonso Felipe dos Santos, a Brazilian who had been deported from Portugal, nearly caused a tragedy inside the plane. He was deported to Brazil because he had no money to support himself in Portugal. After boarding the plane in Lisbon, Affonso, who was dressed as a woman, broke into the cockpit using tear gas spray. A nightmare was beginning for the 348 passengers on board.

Varig flight 709 was to fly the Lisbon-Rio de Janeiro route. The airplane took off from Lisbon yesterday at 1000, and the incident began three hours later, according to reports from passengers seated in the first class section. A man dressed as a woman broke into the cockpit and sprayed tear gas. The man seemed to be hallucinating. The passengers said the airplane immediately began to lose altitude but, despite the incident, the crew regained control of the plane. The passengers were told soon afterward that the Boeing would make an emergency landing in Las Palmas, Canary Islands. [passage omitted]

Affonso Felipe dos Santos, the man who caused all the confusion on board flight 709, lives in Sao Paulo. He has a long police record of assault, indecent exposure, and vagrancy.

Chile

Sanchez Declines To Comment on Army Rumors

PY3110180590 Santiago Radio Chilena Network in Spanish 1600 GMT 31 Oct 90

[Text] War Under Secretary Marcos Sanchez has refused to comment on rumors that President Aylwin has presented two options for the reorganization of the Army High Command in 1991.

Sanchez was asked about this following a meeting of the State Security Committee at La Moneda Palace. He merely said that yesterday at noon the president gave his decision to General Augusto Pinochet, the Army commander.

When asked again if the president has vetoed some names, he said: The president has proposed some promotions, but details of this report can only be given by the Army commander. He added: We believe that the generals should hear the president's decision, but not through the press.

When asked if the board of generals could appeal any presidential veto, the war under secretary said that the president of the Republic has constitutional powers to decide on promotions.

Moreover, General Carlos Parera, who is reportedly one of the names vetoed by President Aylwin, declined to comment on these rumors. He said: You must ask the Army commander. This is an institutional matter. He was answering questions as he left a meeting of the State Security Committee.

Moreover, General Julio Mardones, director of the Carabineros Special Police Activities, stated that his organization and the Carabineros are making tremendous efforts to eradicate violence. He said he agrees with General Stange that there is a climate of uneasiness, not of insecurity, because of these events. General Mardones said this after a meeting at La Moneda Palace.

Assumes Role as Army Chief of Staff

PY3110182790 Santiago Radio Chilena Network in Spanish 1600 GMT 31 Oct 90

[Report by (Claudio Lefort)]

[Text] Major General Rodrigo Sanchez Casillas today assumed his new post as the Army chief of staff and Brigadier General Guillermo Garin Aguirre was installed as new inspector general of the Army.

This report was confirmed at noon today during a ceremony marking the 145th anniversary of the Military Engineering School in Tejas Verdes, in the Fifth Region.

In the presence of General Pinochet, these two officers were introduced with their new titles. Thus, two of the most important promotions within the Army High Command have thus been ratified. These reports have not yet been made public for lack of official information.

Maj. Gen. Rodrigo Sanchez Casillas replaces General Hugo Salas Wenzel, one of the six generals who recently voluntarily resigned. Brig Gen. Guillermo Garin, the new Army inspector general, replaces General Patricio Gualda, who also voluntarily resigned.

Gen. Augusto Pinochet participated in the ceremony, which ended only a few minutes ago. Journalists were unable to talk with Pinochet because of a tight security ring that prevented reporters from getting close to him. At this moment, other activities are taking place at the Tejas Verdes military unit.

Note on Rojas' Comments Released

PY0111004090 Santiago Domestic Service in Spanish 2200 GMT 31 Oct 90

[Text] The Army has released a note in response to recent comments by Defense Minister Patricio Rojas. The note states that, along with proposals for the promotion of several officers, the Army commander in chief

[Pinochet] personally informed the president of the Republic about the organization of the Army High Command.

As is known, Aylwin met with Pinochet on 26 October at La Moneda Palace. Minister Rojas reported that he had not received any formal proposal on the names of the officers to be appointed to the Army High Command in 1991. Rojas added that, on the orders of the president, the supreme decrees expressing the chief of state's approval of the proposals were being prepared at the Defense Ministry.

War Under Secretary Marcos Sanchez declined to comment on rumors that President Aylwin had objected to two of the names proposed for the Army High Command. General Carlos Parera, commander of the Metropolitan Region Military Garrison, was reportedly one of the two, but he declined to comment on the rumor, adding: Please ask the Army Command because this is an institutional problem.

After holding many meetings in his office, Army Commander in Chief General Augusto Pinochet went to Tejas Verdes to preside over a ceremony being celebrated by the military engineers.

Arrival of U.S. Nuclear Carrier Draws Protest

PY3110203190 Madrid EFE in Spanish 0126 GMT 31 Oct 90

[Text] Santiago, 30 Oct (EFE)—The Chilean Committee for Disarmament and Denuclearization [Comite Chileno por el Desarme y la Desnuclearizacion] today protested over the scheduled arrival on 31 October in Chilean waters of the "USS Abraham Lincoln," a Nimitz class U.S. aircraft carrier that carries nuclear weapons in her hold.

The committee contends that the ship's arrival "violates the principle of nonproliferation of nuclear weapons in Latin America. It also indicates that the Chilean Government, as the host country, acquiesces to the presence of a foreign nuclear vessel within our territorial waters."

This pacifist group states that "the government and Congress must review and study the national policies and regulations concerning the presence and passage of nuclear weapons through Chilean waters."

The committee noted that the U.S. Navy reported 383 accidents involving nuclear weapons during the 1965-1977 period and that U.S. aircraft carriers have been involved in 229 accidents between 1945 and 1988.

The CVN-72 "USS Abraham Lincoln" carrier was built last year and carries 20 F/A 18 fighters, 16 A-6E Intruder bombers, and eight S-3 Viking jet planes. It is scheduled to stay in the port of Valparaiso for five days before returning to its base in the Air Naval station of Alameda, California.

Investigation Into Illegal Finance Firm Ordered

PY3110172490 Madrid EFE in Spanish 1616 GMT 23 Oct 90

[Text] Santiago de Chile, 23 Oct (EFE)—Today Army Commander in Chief General Augusto Pinochet ordered an internal investigation into the relationship between several generals and the illegal finance company La Cutufa. An alleged member of La Cutufa has been murdered, while another escaped from Chile with several million dollars. Pinochet's decision coincides with the renewal process at the Army High Command, which is scheduled to end on 24 October with publication of the names of the generals who will be retiring and of those who will be promoted.

The Chilean press has connected the two situations. Today the newspaper LA EPOCA reported that the result of the investigation into the illegal finance company "will become an essential element" in determining the Army High Command for 1991.

According to the newspaper, many generals are involved in the finance company known as "La Cutufa." It reports that those Army generals may be discharged and that a lot of money has been invested in the finance company's illegal business.

Pinochet made this decision after an inquiry conducted by General Luis Patricio Serre, who is considered one of Pinochet's close friends. According to military sources, the investigations imply that there will be serious evidence and situations that the Army should clarify.

The existence of La Cutufa was unearthed in mid-1989, after the murder of Silvio Aurelio Sichel, a member of an ultrarightist group and owner of some well-known restaurants in Santiago. His body was riddled with bullets early one morning as he was arriving at his house.

Despite the fact that the murderers were not been found, the police did find out that Sichel was one of the main members of La Cutufa, and he was murdered when he tried to withdraw his capital, which totaled almost $1 million.

Some weeks ago, La Cutufa faced a critical situation when another of its alleged members, Sergio Larrain, escaped from the country with several million dollars, leaving some of his businesses exposed.

Army Captain Gaston Ramos Cid, who acted as an agent for the illegal finance company, was arrested when several clients wanted to withdraw their deposits and found that there were no funds for the checks they received. Sichel's former partner, Patricio Castro, escaped from the country some weeks ago when he was going to be arrested on charges of being involved in fraudulent checks. Castro was a former Army captain and a former CNI [National Information Center] agent. Sichel's widow Isabel Pizarro, had charged Castro with being involved in her husband's murder.

Last week, Monica Tagle Madrid, the judge in charge of Captain Ramos Cid's prosecution, burned to death inside her car. The police labeled this case a "suicide." Alvaro Corbalan Castilla has been also charged with being involved in La Cutufa affairs. Corbalan is a retired Army commander and a former CNI operations chief, who, according to Sichel's widow and the mass media, started a transport enterprise with a loan granted by La Cutufa.

Corbalan, who is leader of an ultrarightist party, is currently being prosecuted for the "fraudulent bankruptcy" of the transport enterprise; his partner was Francisco Zuniga Arellano, another former CNI agent. Human rights organizations have charged Corbalan and Zuniga with commiting serious crimes such as murder and torture.

Zuniga is serving a sentence of freedom under surveillance because of the serious injuries he inflicted on journalists and union leaders whom he and CNI agents attacked during a street demonstration in 1983.

Jaime Melgoza Garay was also involved in the fraudulent bankruptcy of the transport enterprise. Melgoza is charged with participating in the murder of then Army Commander in Chief Rene Schneider in 1970. Schneider was murdered by the ultrarightist sector during an attempt to prevent Salvador Allende from taking power.

Search Ordered in Aurelio's Home

PY3110173090 Santiago Television Nacional de Chile Network in Spanish 1700 GMT 30 Oct 90

[Excerpt] Today Gaston Ureta, the lawyer who is investigating the murder of Aurelio Sichel, said that Brigadier General Gustavo Abarzua Rivadeneira, who resigned a few days ago, authorized an intelligence operation in Sichel's home a few hours after he was murdered. [passage omitted]

Official, Police Director on Money Laundering

PY3110162890 Santiago Domestic Service in Spanish 2200 GMT 30 Oct 90

[Excerpts] Interior Deputy Secretary Belisario Velasco has revealed that money is being laundered in Chile. He added that this is being investigated and will be dealt with severely. Velasco did not comment on the amounts involved, but they appear to be higher than a seven-digit figure. Velasco made these comments upon returning from the United States, where he attended an Antinarcotics Council meeting. [passage omitted]

Investigative Police Director Horacio Toro agreed with Velasco that there is money laundering going on in the country. He said that a national study, using scientific systems and methods, will accurately portray drug trafficking activities in the country and all other crimes related to this scourge. He said the dimensions of the problem are not yet known, but the results of the investigation will be known in 60 to 90 days.

Toro said that any relation between the money laundering and the La Cutufa financial scandal has not been proven. [passage omitted]

Police Arrest Three Communist Youth Terrorists

PY3111233790 Santiago Television Nacional de Chile Network in Spanish 1700 GMT 31 Oct 90

[Text] The Carabineros have arrested three terrorists who are accused of having committed many robberies in Santiago. During these robberies they stole nearly 30 million pesos. According to a police communique signed by Juan Salgado, chief of the Eastern Police Prefecture, the terrorists have been identified as Rodrigo Hidalgo Garcia, 23, Mario Borman Munoz, 22, and Fernando Valenzuela Valenzuela, 23. The police chief said that between 3 December 1988 and 12 September this year, these criminals participated in at least 10 robberies, including a bank, the Sumar [not further identified] factory, a bus station, and some stores.

The police communique adds that the three terrorists admitted that they belong to the Communist Youth organization.

Colombia

Police Capture Extraditable in Bogota

PA0111005590 Mexico City NOTIMEX in Spanish 2253 GMT 31 Oct 90

[Text] Bogota, 31 Oct (NOTIMEX)— A spokesman for the National Police elite corps announced today that Luis Fernando Castro Molina, an alleged drug trafficker and member of "The Extraditables," was capturd today in Bogota.

Castro Molina's extradition has been requested by several U.S. federal courts, even though his name does not appear on the organizational charts of the Medellin and Cali cartels, Colombia's leading drug trafficking groups.

Castro Molina is undergoing questioning at the Judicial Investigations Directorate (Dijin), while his transfer to the "La Picota" central penitentiary is being arranged. There are 12 other drug traffickers awaiting extradition at La Picota.

Peru

Petroperu Declared in 'State of Emergency'

PY3110212290 Lima Television Peruana in Spanish 1800 GMT 31 Oct 90

[Text] The government has issued a decree declaring Petroperu [State Petroleum Agency] to be in a state of emergency. The decree was published today in the Peruvian official gazette EL PERUANO.

The decree states that Petroperu's current socioeconomic situation has made it necessary to establish rules

to guarantee a normal supply of oil, hydrocarbons, and by-products to fulfill the needs of the people and the country's industrial activities.

It also states that Petroperu, in carrying out its social role, should act according to the objectives and policies approved by the Energy and Mines Ministry.

The decree was signed by President Alberto Fujimori, Prime Minister Juan Carlos Hurtado Miller, Labor Minister Carlos Torres y Torres Lara, and Energy and Mines Minister Fernando Sanchez Albavera.

Uruguay

Explosion Outside Interior Ministry; No Victims

PY3010205290 Buenos Aires DYN in Spanish
2010 GMT 30 Oct 90

[Text] Montevideo, 30 Oct (REUTER)—The police have announced that today a powerful explosion occurred outside the Uruguayan Interior Ministry in downtown Montevideo. It destroyed part of two sidewalks and damaged some vehicles.

The explosion destroyed the thick cement lids of four sewer manholes a little after 1200 outside the Interior Ministry where there are always many pedestrians. No victims were reported.

After examining the four holes opened by the explosion, experts of the state-owned gas company told the reporters that "the possibility of a gas leak has been discarded."

Military explosives experts arrived at the site of the explosion but did not make any comment.

A plainclothes policeman, who had been examining the holes with the firemen, told REUTER: "We cannot discard any theory yet because, so far, we still do not know what has happened."

Stones, rubble, and pieces of cement as big as 30 cm in diameter were thrown more than 10 meters from the site of the explosion, which destroyed the front part of a car that was parked in front of the Ministry and damaged several other cars.

Montevideo Police Chief Ramon Diaz declined to comment, but other police sources have pointed out that Economy Minister Enrique Braga lives some 50 meters from the place.

Last week, a bomb was hurled at an Islamic Studies Room in the Egyptian Embassy in Montevideo.

A sentinel who had been posted in front of the Ministry at the time of the explosion, told REUTER: "Incredibly there were no pedestrians or vehicles passing at the time of the explosion; otherwise, it might have been a tragedy."

Falklands Mission Seeks Trade, Road Construction

PY3110212990 Buenos Aires DYN in Spanish
1524 GMT 31 Oct 90

[Text] Montevideo, 30 Oct (REUTER)—A delegation from the Falklands Islands today began making contacts here in Montevideo, seeking agreements with businessmen for the construction of roads, for the supply of food, and for the establishment of an air shuttle service between the archipelago and the mainland.

Stuart Wallace, chairman of the Southern Atlantic Islands' Businesses Association [Asociacion de Negocios de las Islas del Atlantico Sur], has told the reporters: ""We are seeking to do businesses with all sectors."

He said that the delegation will stay in Uruguay until 1 November, and that they are especially interested in contacting "construction companies to build roads on the islands."

Sources of the British Embassy in Montevideo have told REUTER press agency that the delegation, which includes representatives of the government and of the private sector, is also seeking to reach agreements in the area of agriculture, tourism, and fishing.

"The possibility of establishing an air shuttle has also been discussed," the source added.

"Right now, we import everything, except lamb, from Europe and the UK," Wallace said.

"If the price is acceptable we intend to purchase everything we need from places less far away," Wallace added, referring to Chile and Uruguay.

In 1982, Argentina and the UK fought a short war over the possession of the islands. Uruguay, which supported the Argentine sovereignty claims, authorized the use of its territory to exchange prisoners and to assist the wounded.

The delegation, which plans to meet representatives of the Chamber of Industry, the Chamber of Commerce, and the trade sector of the Uruguayan Foreign Ministry, today met with British diplomats living in Montevideo.

"The islands have an overall budget of 30 million pounds (some $60 million), which is quite high for a population of 2,000. A good part of that money will be assigned to the construction of roads. In this sense, we are interested in examining proposals by Uruguayan businessmen," Wallace said.

British Embassy sources have reported that the mission will go to Chile on 1 November and then return to the Falklands.

Foreign Minister Withdraws From Court Candidacy

PY0111000990 Montevideo LA HORA POPULAR in Spanish 25 Oct 90 p 2

[Text] The Presidency of the Republic yesterday announced that [Uruguayan Foreign Minister] Dr. Hector Gros Espiell has decided to withdraw his candidacy for a position at the International Court of Justice of The Hague.

The presidential communique points out: "This means that there is the possibility that we may keep in the ministerial Cabinet a person who has made an extremely valuable contribution to our international prestige."

Dr. Gros' candidacy, which was presented by the Uruguayan representatives to the Permanent Court of International Arbitration before he assumed the post of foreign minister, required him—if elected in the upcoming November election—to prematurely resign his post to assume his judicial functions on 6 February 1991.

This fact, together with Dr. Gros Espiell's desire to strengthen the solidarity of the Latin American continent, which supports more than one candidate, are the reasons for his withdrawal," the communique reports.

Talks Among Government, Business, Labor End

PY3110210090 Montevideo Radio El Espectador Network in Spanish 1500 GMT 31 Oct 90

[Text] Several of the medium- and long-term salary agreements achieved at the tripartite talks—which will end today—will not be authorized by the executive branch because they considerably exceed the guidelines established by the government. This information was released by National Labor Director Daniel Turcatti, who confirmed the decision to end the tripartite talks today.

Turcatti, who said that the results of the negotiations were highly positive, added that only some 33,000 private sector workers will not benefit from the medium- or long-term agreements.

The government will next week issue a decree ordering a salary adjustment for the sectors for which no agreement has been reached.

Economic Crisis Affects Several Newspapers

PY3110171790 Madrid EFE in Spanish 0033 GMT 29 Oct 90

[Text] Montevideo, 28 Oct (EFE)—The folding on Friday [26 October] of the Uruguayan newspaper "TRIBUNA SALTENA," an old newspaper from the interior of the country, and the announcement today that the Montevideo newspaper "EL DIA" will be printing emergency editions, highlights the grave economic crisis that has recently hit the Uruguayan press.

The Montevideo newspaper "EL DIA" was founded in 1886 and is the country's second oldest publication. It has announced that as of Monday [29 October] it will publish emergency editions.

"EL DIA" has been experiencing serious financial problems for several months. These financial problems are blamed on the rules imposed on "EL DIA" during the dictatorship in Uruguay (1973-1984).

"EL DIA" today pointed out that "we wish to emphasize that our economic setback, although not insignificant, is not enough to douse that light of democratic fortitude and firm devotion for justice that Jose Batlle y Ordonez," the newspaper's founder, "established in these pages."

Battle y Ordonez was Uruguayan president twice, and he was an historic figure of the Colorado Party, currently the main opposition party.

The press crisis is causing continuous public and government debate. Thus far, however, with the exception of some draft bills to exempt newspapers from paying taxes and that also seek to postpone the attachment of the debtor media, no effective measures have been implemented.

"EL DIA" expressed hope that the emergency measures to be adopted on Monday [30 October] will only be needed for a brief period. During this stage the newspaper will have less pages, thus saving paper and reducing publishing costs.

"We are preparing to use the few available tools—just the dedication of the personnel and Batlle's eternal words and teachings—to defeat the economic hardship that confronts us." This does not "mean that our professional standards and our continued desire to serve the cause of liberty and democracy will falter."

"LA MANANA," another Montevideo newspaper, commented last week in an editorial on the serious difficulties it was experiencing in trying to appear on the streets on a daily basis.

The newspaper "LA HORA POPULAR," which is tied to the Communist Party of Uruguay, has reduced the number of pages and has transferred some 200 workers to the unemployment insurance system.

The newspaper "LEA," which appeared after the fall of the military dictatorship, ceased publication a few months ago.